

**FirstRock**  
CAPITAL HOLDINGS

2020

**Annual Report**

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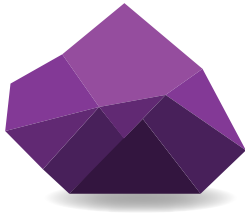




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**FirstRock**  
CAPITAL HOLDINGS

## **Mission**

The Caribbean's most Shareholder-centric investment holding company.

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## **Vision**

To capitalize on investment opportunities, which will enable us to constantly increase Shareholder value and deliver above average returns.

# Performance Snapshot

NET PROFITS ATTRIBUTABLE TO SHAREHOLDERS

**\$2.66**

USD Million | J\$381M



TOTAL ASSETS

**\$35.9**

USD Million | J\$5.2B



SHAREHOLDERS EQUITY

**\$29.8**

USD Million | J\$4.3B



EFFICIENCY RATIO

**50%**

RETURN ON AVERAGE EQUITY

**11.6%**

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 2nd Annual General Meeting of **FIRST ROCK CAPITAL HOLDINGS LIMITED** ("the Company") will be held in person and will also be Livestreamed using the Zoom Video Conferencing Platform on the **25<sup>th</sup> day of June 2021** from Bourbon House, Bourbon Street, Castries, Saint Lucia at **8:30a.m. (GMT-4)** to consider, and if thought fit, to pass the following resolutions:

## Ordinary Business: Resolution 1-5

1. To receive the audited accounts for the year ended 31<sup>st</sup> December 2020.

### Resolution 1 - Audited Accounts

"THAT the audited accounts for the year ended December 2020 together with the reports of the Directors and Auditors thereon be and are hereby adopted."

2. To ratify interim dividend payments and declare them final.

### Resolution 2 - Interim Dividend

"THAT the interim dividends totalling US\$1,172,703.76 paid in 2020, be and are hereby ratified and declared as final and that no further dividend be paid in respect of the year under review."

3. To elect Directors.

The Directors retiring by rotation pursuant to Article 101 of the Articles of Incorporation are Norman Reid, York P. Seaton and the Director appointed to replace Faye Ann Hutchinson is Natalie G Augustin, all of whom being eligible for re-election offer themselves for re-election.

### Resolution 3(i) - Re-election of Norman Reid

"THAT the retiring Director, Norman Reid be and is hereby re-elected a Director of the Company."

### Resolution 3(ii) - Re-election of Y.P. Seaton

"THAT the retiring Director, Y.P Seaton be and is hereby re-elected a Director of the Company,"

### Resolution 3(iii) - Re-election of Natalie G. Augustin

"THAT the recently appointed Director, Natalie G. Augustin be and is re-elected a Director of the Company."

4. To approve the remuneration of the Directors.

### Resolution 4 - Directors' Remuneration

"THAT the amount included in the Audited Accounts of the Company for the year ended 2020 as remuneration for their services as Directors be and is hereby approved."

5. To appoint Auditors and fix their remuneration.

### Resolution 5 - Appointment of Auditors

"THAT the Directors be and are hereby authorized to appoint and fix the remuneration of the Auditors in respect of the period ending with the conclusion of the next Annual General Meeting."

Dated the 7<sup>th</sup> May, 2021  
by Order of the Board

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## Secretary Natalie G Augustin

### Notes:

This AGM is being held as a "hybrid" meeting and you may attend in person physically at the venue, or by electronic means or by proxy.

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her place. Such proxy could be chosen from the following list of Directors (and Company Secretary) who have indicated that they intend to attend the AGM:

- (a) Norman Reid, Chairman
- (b) Natalie G. Augustin, Company Secretary

or alternatively, a member may appoint a person of his/her choice who has been granted the right to attend the meeting physically or virtually after having been registered for attendance.

A corporate shareholder may, instead of appointing a proxy, appoint a corporate representative in accordance with Article 78 of the Company's Articles of Association.

- (2) A member must complete and return his/her Form of Proxy to the Registrar of the Company, Sagicor Corporate Services ("SCS"), using one of the following methods, not less than 48 hours before the Meeting:

- (a) by hand delivery to SCS at 17 Dominica Drive, Kingston 5, Jamaica, W.I.; or
- (b) by post addressed to SCS at 17 Dominica Drive, Kingston 5, Jamaica, W.I.; or
- (c) by email: to Camille Lennon at camille\_lennon@sagicor.com.

A suitable Form of Proxy is enclosed for your convenience.

# Founders Report

Principals (L-R): Ryan Reid and Michael Banbury



First Rock Group is a privately held holding company which was formed by its two principals, Ryan Reid and Michael Banbury, an Investment Banker and Medical Doctor, respectively. The First Rock Group has interests in various companies which are in the business of, Real Estate Investments, Private Equity, Financial Services and Real Estate Brokerage. The companies were created to pursue opportunities within various sectors across multiple jurisdictions. The long-term strategy is to ensure that each entity maximizes shareholder value, whether it is private or publicly traded.

The Board of Directors comprises individuals with a wealth of experience in Banking, Investments, Real Estate, Technology and Health Care; but most of all, these individuals command immense respect across multiple jurisdictions.

The entities are:



**First Rock Capital Holdings Limited** -  
*Listed on the Jamaica Stock Exchange*

- St. Lucia
- Jamaica
- Cayman Islands
- Costa Rica
- United States



**First Rock Global Holdings Limited**

- Barbados
- Guyana
- Jamaica



**First Rock Realty Limited**

- Jamaica



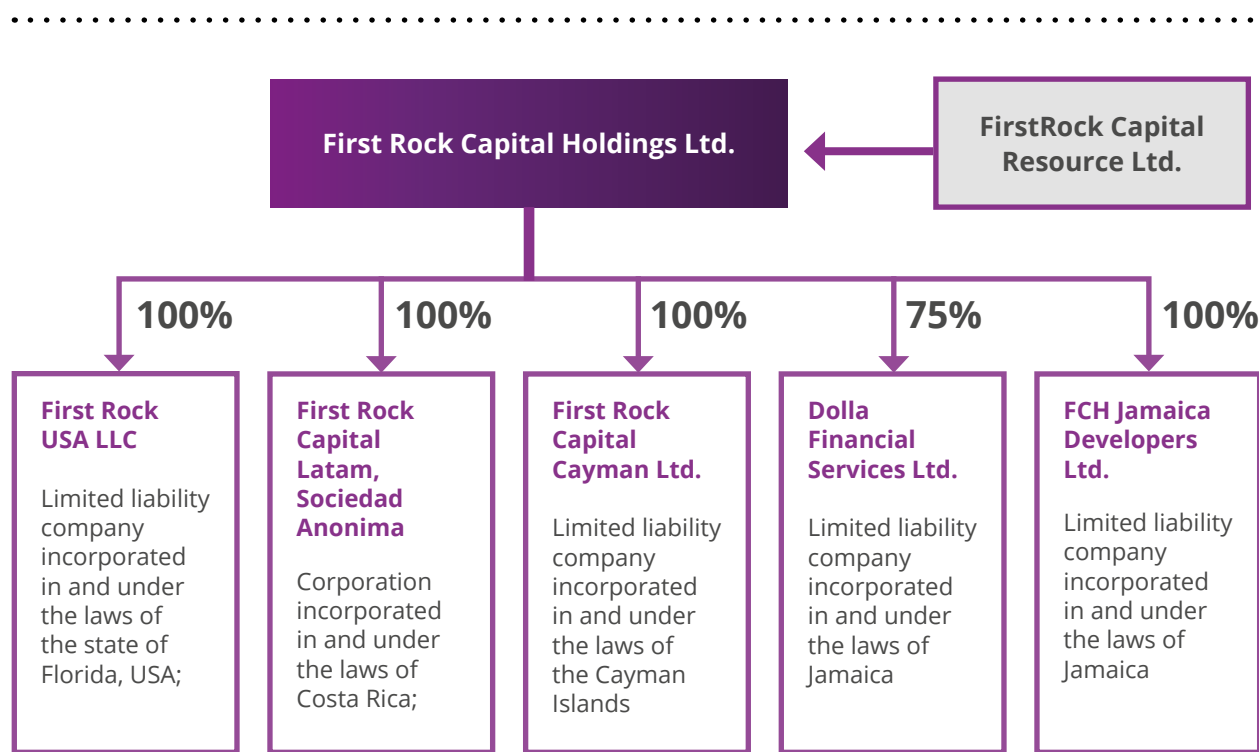
**Dolla Financial Services Limited**

- Jamaica
- Guyana

The executive team is effectively tasked with overseeing the management of the various companies and tactically executing on the strategic objectives as dictated by First Rock Group's Board, whether through the provision of shared and management services or at the governance levels. The executive team's job functions cover, Real Estate, Business Development, Finance, Legal, Operations, Compliance and Risk Management.

# Corporate Structure

First Rock Capital Holdings (FCH) is incorporated in St Lucia, listed on the JSE and is managed by FirstRock Capital Resource Ltd. (FCR).





# Business Brief

**First Rock Capital Holdings is a real estate investment holding company. The company was incorporated in 2017 in St. Lucia as an International Business Company (IBC) under the International Business Companies Act and is listed on the Jamaica Stock Exchange (JSE). The company's main mandate is to pursue opportunities within the real estate sectors across the Caribbean and Latin American region.**

The main income segments of its operations are:

- Real Estate Rental Income (Commercial and Residential)
- Real Estate Development (Commercial and Residential)
- Real Estate Capital Gains Transactions
- Real Estate Linked Instruments

The company has subsidiaries in the United States, Cayman Islands, Costa Rica and Jamaica through which it holds its various real estate and liquid assets.

# Chairman's Report

**Dear Shareholders,**

For most countries and companies across all sectors, the year 2020 has been one of the most challenging in the past Century. Indeed, the COVID-19 pandemic has negatively impacted lives and livelihood of the world's population. It has eroded personal income flows, corporate revenues and has forced us to pivot in the way we operate in our personal and business lives.

Although it has been a tough year, ironically, the pandemic created a unique climate in which business creativity emerged. In fact, the advice of Abigail Adams given to her son, John Quincy Adams (1780), reflects this reality... "these are times in which a genius would wish to live". It is not in the still calm of life or the repose of a pacific station that great characters are formed. The habits of a vigorous mind/ (companies) are formed in contending with difficulties".



It is against this background that the company can describe its performance as simply phenomenal.

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**We had a successful Initial Public Offering and achieved listing on the Jamaica Stock Exchange main market in early 2020,\* weeks before the WHO declared COVID-19 as a Pandemic.**

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- \* We were called upon to show our resilience in the Real Estate sectors across our jurisdictions and we did, ensuring that our portfolio remained strong and buoyant to survive any possible shocks or economic turbulence.
- \* We had to shore up our Corporate social responsibility through the work of our Foundation. To this end, we were called upon and responded positively by shouldering our responsibility to assist the needy.
- \* We continued to build out a strong “war chest” from the Real Estate portfolio and have ended the Financial Year with a vigorous pipeline thus leaving us with continued optimism as we prepare to play our part in cross border economic recovery efforts.
- \* We had a profitable year! Declaring and paying dividends to our Shareholders in keeping with our commitment.

In pursuing these priorities, we are very grateful for our many stakeholders including the First Rock Group for the effective management of our affairs. Like Sailors, they consistently naval gaze to identify opportunities in various jurisdictions.

We remain proud of the positive achievements made during the year. The COVID-19 pandemic is likely to be with us for a while and will continue to cast an ugly shadow on world economies. Notwithstanding, we will pull on the pioneering spirit of our management and leadership and the confidence reposed in us by you, our Valued Shareholders.



**Norman Reid J.P.**  
Chairman

# Board of Directors



**Norman Reid J.P.**  
**Chairman**

Norman Reid is the Chairman of First Rock Capital Holdings. He is a career Banker and has served the Financial Services Sector for over 40 years. His expertise includes Risk Management, Leadership, Sales Management and Governance. He is the Chairman of Clarendon Alumina Production, National Education Trust and Sam Sharpe College and serves as Director of the EXIM Bank, Western Regional Health Authority; he also chairs the Sub-Committees of these Boards.

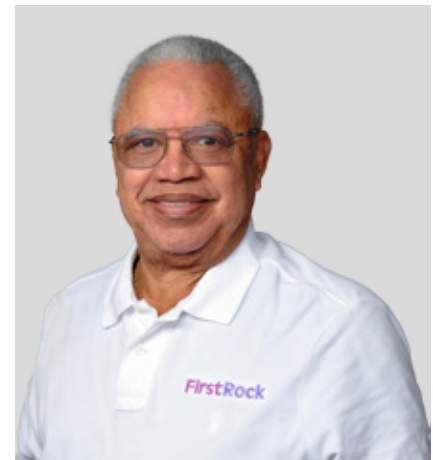
Mr. Reid holds a BA in Banking and Finance, a Diploma in Banking (ACIB) and a Diploma in Retail Banking from the BAI (BANK Administration Institute) USA. He is also a Fellow of the Institute of Banking and Financial services in the UK. Earlier this year, he was appointed as a mentor to the Emerging Leaders Initiative administered by the BAI.



**Alton E. Morgan**  
**Deputy Chairman**

Mr. Alton E. Morgan is an Attorney-At-Law with over 35 years' experience. He is the Managing Partner for Alton E. Morgan & Company. The firm specializes in Real Estate Law, Property development, Business sales, Arbitration, Property Subdivisions.

Mr. Morgan is regarded as one of Jamaica's leading real estate Attorney and is a constant source for conveyancing and property development. He has acted on some of Jamaica's largest real estate transactions and serves on numerous private sector boards.



**Douglas Halsall O.D.**

Mr. Douglas Halsall, O.D has spent the last 40 years leading the development of Information Technology in Jamaica and has consequently been associated with many firsts such as implementing the first ATM in Jamaica, to computerizing many industries including Health Insurance, Credit Unions, Retail, Government Accounting and Hospitality & Tourism.

Mr. Halsall founded AIS in 1987 and currently serves as its Chairman and CEO. Mr. Halsall has amassed a wealth of experience leading cutting-edge technology companies across multiple industries. Before starting AIS, Mr. Halsall served as Chairman and CEO of National Cash Register (NCR) for 10 years where he was responsible for moving NCR Jamaica to the position of Leading country across Latin America and the Caribbean in performance and sales.

In 2005, the Government of Jamaica, supported by the Opposition, recognized his contribution to technology by conferring on him the prestigious Order of Distinction.



### **York Page Seaton C.D.**

Mr. York Page Seaton is a qualified Engineer and Chairman and CEO for Y.P Seaton & Associates Company Limited. He founded this entity in 1969 and today it is regarded as the leading Construction, Development, Electrical and Mechanical Engineering Contracting company in Jamaica and the wider Caribbean.

Mr. Seaton has been conferred with the certificate of Distinction (CD) by the Government of Jamaica and is a Justice of the Peace.



### **Kisha Anderson**

Kisha began her tenure with JMMB Ltd. in 1996 and has since worked in several areas of the company's operations. Kisha up to recently served as Country Manager of JMMB's Jamaican-based subsidiaries: Jamaica Money Market Brokers (MMB) Limited, JMMB Merchant Bank Limited, JMMB Insurance Brokers Limited, JMMB Fund Managers Limited and JMMB Securities Limited Jamaica).

She entered the field with a degree in Environmental Sciences from the UWI, Mona. In November 2015 she completed and graduated from a four (4) month Harvard Business School General Management Program She currently sits as a director on the Boards of JMMB Insurance Brokers Ltd., JMMB Fund Managers Ltd., JMMB Securities Limited, JMMB Money Transfer Limited, JMMB Ltd., JMMB Investments (T& T) and JMMB Securities (T&T). She is a Justice of the Peace for Kingston.



### **Fay Hutchinson**

Mrs. Hutchinson has been a dynamic leader and visionary in the business, aeronautical and labour movement in Jamaica for the past 50 years.

Currently an Executive Sales Advisor at Guardian Life where she has been since its inception. She excelled from the start winning the Rookie of the Year award in 1995 and has landed the Million Dollar Round Table qualification every year she has worked.

She graduated from Russea's High School and then went on to graduate from the University of the West Indies in 1974 where she earned a Bachelor's Degree in Management Studies. Fay serves on several Boards including, Airports Authority of Jamaica, Passport Immigration and Citizenship Agency, Caribbean Industrial Systems, Housing Agency of Jamaica and the Local Government Commission, which she chairs. She was conferred with an Order of Distinction in the rank of Officer in October 2019 by the Government for her contribution to the Insurance Industry.

\*Mrs. Hutchinson resigned from the board on March 17, 2021.



# Board of Directors



**Dr. Michael Banbury**  
Co-Founder and Chairman

Dr. Banbury is the Chief Executive Officer of Medical Associates Hospital, where he also sits on the Board. He is a Medical Doctor with speciality in Primary Care and Diabetology. Dr. Banbury is a graduate of the University of the West Indies School of Medicine where he earned his Bachelor of Medicine and Surgery (M.B.B.S). He also studied at Wharton Business School with a focus on Distressed Asset Investing and the Harvard Business School with a focus on Creating Shareholder Value. He is also a Fellow of the Royal Society for Public Health (F.R.S.P.H).

Dr. Banbury serves at the Board level of various Private and Public sector entities and brings a wealth of management and business development experience. He is also a Co-founder of First Rock Capital Holdings Limited. Dr. Banbury also sits on the board of First Rock Global Holdings and First Rock Realty.



**Philip Martin**  
Deputy Chairman

Mr. Philip Martin is the Deputy Chairman of First Rock Group. Mr. Martin is a seasoned Entrepreneur who has been in business for over 50 years. He is the Chairman and Managing Director of Caribbean Fencing Limited, a leading fencing provider in the region. He is also Chairman of W.A.K Investment Limited. Mr. Martin was the Co-founding Shareholder of Dehring Bunting & Golding Limited and International Media Content (Sportsmax); both were sold to the Scotia Group and Digicel Group respectively. He has served on numerous Private and Public sector boards, including Scotia Investments Limited.



**Marjorie Seeberan**

Marjorie Seeberan is a retired career Banker. She has a wealth of experience in banking and finance. Her most recent post was General Manager for Corporate Banking at National Commercial Bank Jamaica Limited. She was also the Executive Director for The University of the West Indies – May 1997 – November 2002, and before that she was the Senior Vice President of JPMorgan Chase up until November 1995.

Mrs. Seeberan studied at New York University as she pursued her Master of Business Administration (M.B.A.), Finance.



**Ryan Reid**  
**Co-Founder and CEO**

Ryan Reid is the Co-Founder, President and CEO of First Rock Group. Mr. Reid brings 15 years of experience in the real estate and financial sectors, with eight at the executive level in the financial sector. Throughout his career, he has had responsibilities of leading sales, services, accounting, investments and corporate finance teams.

Mr. Reid studied at the University of the West Indies and the University of Wales where he pursued a Bachelor of Science in Banking and Finance and a Master's in Business Administration in General Management, respectively. He also studied at Wharton Business School with a focus on Distressed Asset Investing and the Harvard Business School with a focus on Creating Shareholder Value. He is a member of the First Angels Investor Group and the Young Presidents Organization (YPO). He is a director of multiple private and public sector companies. He is also a Justice of the Peace for the Parish of St. Andrew.



**Pierre Shirley**

Pierre Shirley is the Executive Vice President of First Rock Group. He is formerly General Manager of PROVEN REIT Limited where he managed a real estate portfolio in excess of US\$20M. Pierre has been involved in the Real Estate industry for approximately 18 years both locally and internationally with his experience covering various facets of both residential and commercial real estate to include deal structuring, real estate developments, portfolio management, property management, sales, leasing and financing to include mortgage origination, processing, underwriting, and funding.

Mr. Shirley has been conferred with a master's degree in Business Administration (MBA) with a specialization in Corporate Management; a Master's of Science in International Real Estate (M.Sc.); and a Bachelor's Degree in Business Administration (BBA) with a major in Real Estate Finance, all from Florida International University (FIU), Miami, Florida.



**Edwin Wint**

Edwin Wint is currently the Chairman & CEO at Better Homes and Gardens Real Estate Jamaica. He is a Real Estate executive with broad experience in real estate valuation, real estate investment consulting and real estate sales. His specialties are Facilities Management Consulting. He was a Director of Real Estate Board and Commission for Strata Corporations, up until May 2018. He has also served as the President of the Realtors Association of Jamaica.

Mr. Wint is the holder of a Master of Business Administration (MBA), Post Graduate Diploma Construction Project Management, Construction & Real Estate from the University of Reading/College of Estate Management. He is a certified International Property Specialist, Real Estate and has a Diploma, Land Economy & Valuation Surveying from the University of Technology and a BA from The University of The West Indies.

# Macro Economic and Real Estate Sector Overview

## JAMAICA

After seven consecutive years of modest economic growth, driven mainly by the fiscal discipline employed during a successful six-year IMF economic reform program, 2020 saw one of the steepest economic contractions in Jamaica's history due mainly to the effects of the COVID-19 pandemic. The economy contracted by an estimated 10.7% for the first nine months of the calendar year, reflecting a 6% fall in the goods-producing industry and an 11% decline in the services industry. The downturn in the services industry was led by a hard-hit on the Hotels and Restaurant industry, which saw a decline of 53% during the period, due to global travel restrictions implemented in response to the pandemic.

For the October to December quarter, the rate of contraction slowed to an estimated 9.4%. This resulted from commendable growth in the Construction and Mining and Quarrying industry by an estimated 6.2%, which helped to partially offset the continued decline in all other sectors, particularly the services sector.

For the 2020 calendar and 2020/21 fiscal years, the economy is projected to contract between 10.5 and 12.5%. Annual inflation was 5.2%, within the Bank of Jamaica's target range of 4% to 6%. The unemployment rate increased from a record low of 7.2% in January to an estimated 10.7% at the end of the calendar year because of the pandemic. On a positive note, this was lower than the 12.7% recorded in July, a sign that the economy is slowly rebounding. Employment in the Real Estate and Other Business Services industry recorded an increase of 11.8% in October, evidence of the strength of that industry.

The government has provided a J\$25 billion economic stimulus package in response to the pandemic which

includes measures such as (1) J\$10 billion under the COVID Allocation of Resources for Employees (CARE) Programme to assist employees with payroll (2) direct cash transfers to individuals that lost their employment and (3) reduction in General Consumption Tax by 1.5%, which is projected to put back J\$14 billion in the hands of consumers and support consumption. An additional stimulus package is slated for 2021.

For the 2021/22 fiscal year, positive indicators such as containment by the measures implemented locally to manage the spread of coronavirus and aggressive vaccination programs globally which are expected to facilitate growth in the critical Hotel and Restaurant industry, should see the economy growing by an estimated 4% to 6%.

Jamaica's real estate market has shown resilience amid the pandemic. Experts believe that the pandemic has created a market that will largely benefit buyers. Edwin Wint, Chief Executive Officer (CEO) of Better Homes and Garden Jamaica, stated that "the current economic crisis triggered by the coronavirus pandemic may present opportunities for new home buyers."

According to the Global Property Guide, demand for homes costing J\$25 million (US\$ 174,800) and below have grown strongly, while houses worth above J\$40 million (US\$279,700) had lesser growth. Demand remains stable for townhouses, apartments, and for properties in gated communities.

This view has been supported by Chief of Branches at JN Bank, Petal James who stated, "Investments in the sector have been resilient and reliable for many owners, as properties continue to hold their value and have even increased in worth, despite the climate, while some levelling off has been predicted, prices are not expected to decline."



Some of the factors that have contributed to its resilience include the Stimulus Measures to the Housing Sector and Benefits to National Housing Trust (NHT) Contributors that was announced by Prime Minister Andrew Holness earlier in the year.

These measures included, but were not limited to:

- Reduction of interest rates on all new loans by 1% (benefitting some 8,000 new mortgagors annually)
- All existing NHT loans reduced by 0.5% (benefitting some 100,000 existing mortgagors).
- Extension of Interest rate discounts to special groups, such as mortgagors aged 55 years and over, the disabled as well as public sector workers.
- The interest rate discounts for the disabled extended to include the parents of disabled children.
- Expansion of the Intergenerational Mortgage Programme to include other loan products, such as open market purchases and construction loans.
- Increased benefits to contributors over 65 years such as the ability to access housing benefits with tenures extending up to age 70.

Other factors that have contributed to the sector's resilience include the shift in interest of both local and overseas vacationers to stay at large hotels with communal amenities and activities to include primarily restaurants and pools. Due to mass gatherings being identified as a likely source of contracting the deadly Coronavirus, many vacationers have opted to stay at private villas with more controlled environments. This has increased the demand for luxury vacation homes particularly on the North Coast to include areas such as Montego Bay, Ocho Rios and Port Antonio.

Additionally, with the decline in Jamaica's Stock Market, real estate remains the "go-to" safe haven for anxious and somewhat desperate investors looking for somewhere to deploy cash into a relatively safe asset that will protect against devaluation particularly as a result of inflation and or foreign currency.

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## **Jamaica's real estate market has shown resilience amid the pandemic.**

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## **CAYMAN ISLANDS**

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The Cayman Islands is an international financial center, known for investment funds, banking, insurance and other financial services. The main industries are financial services, tourism, and real estate sales and development.

After nine years of consecutive economic growth, with a modest average of 3.8% per annum over the past 5 years, Cayman's economy is projected to contract by 7.2% due mainly to the effects of the COVID-19 pandemic. The main driver of the contraction is the hospitality and restaurant sector, which is expected to decline by 75%. The transport, storage and communication sector is projected to contract by 14.7%, while the financial services and insurance sector proved to be the most resilient with a modest decline of 3.8%.

The unemployment rate is forecasted to increase from 3.5% in 2019 to 6.9% due to the fall-off in demand from the labour-intensive tourism sector, among others. Inflation is forecasted at 0.4%, lower than the high of 5.7% recorded in 2019.

The government has implemented several measures aimed at stimulating the economy in response to the pandemic. The measures include (1) allocation of US\$3 million from the disaster relief fund to finance costs associated with COVID-19 and (2) provision of a US\$9 million grant programme and (3) US\$5 million low-interest loan programme for micro and small businesses.

The outlook for 2021 is positive, with economic growth projected to be 5.1%. This is mainly due to the expected rebound in tourism, and the healthy fiscal position of the government attributable to fiscal surpluses achieved in each year since 2012. The strong response of the government to the COVID-19 pandemic, including total travel restrictions for foreigners and enforced quarantine requirements, among others, should position the country as a premier tourist destination as the global vaccination program rolls out.

During the first quarter of 2020, the Cayman Islands had been experiencing a steady rise in property prices. This was attributed to, on a smaller scale, the resilience of the local economy and, on a grander scale, the health of the US Economy. The island experienced faster growth in its real estate market than other Caribbean countries. Amid the COVID-19 crisis, the island's realtors quickly began adapting

to the “new normal” that would allow them to work safely and effectively. Currently, the island has seen a fall in commercial real estate transactions as work from home becomes more popular, additionally, developments have continued to progress after they were brought to a halt by the restrictions put in place by the government.

Cayman’s effective response to the pandemic has resulted in the island being “COVID Free” thus creating it into a highly sought after destination with vacationers and seasonal visitors more inclined and desirous to purchase real estate on the island as one of the restrictions imposed by the government limits arrivals to property owners.

Real estate sales registered with the Land Registry for 2020 declined by 26% when compared to 2019. This represents the biggest drop in the number of property transfers in the Cayman Islands since the fall in the market in 2010, where the number of transfers fell 30% on the previous year. However, the total value of sales only reduced by 15%, significantly less than the decrease in the total number of sales. The decline in the number of sales would be attributed to the government imposed lockdowns affecting both the public and private sector hindering the ability for transactions to occur; notwithstanding, the contrast in the reduction of transactions compared to the reduction in value would be attributed to the growth in real estate values year over year.

## **COSTA RICA**

Costa Rica is a global leader for its environmental policies and accomplishments. Its main economic activities are tourism, computer and medical technology, and agriculture. A combination of political stability, commitment to education, and steady growth over the past twenty-five years has resulted in one of the lowest poverty rates and highest literacy rates in Latin America and the Caribbean.

After averaging modest growth of 3.3% per annum over the past five years, the economy is projected to contract by 5.4% in 2020 due mainly to the effects of the COVID-19 pandemic. The largest sector, hotels and restaurants, is projected to decline by 27.6% due to travel restrictions including closure of the border to foreigners for most of the year.

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**3%** projected growth of the Costa Rican economy in 2021.

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Unemployment is projected at 17% in 2020, up from 12.4% in 2019. Inflation is projected at 1.2%, a decline from the 2.1% recorded in 2019.

Prior to the pandemic, the government was faced with an increasing fiscal deficit, which it sought to bring under control with the implementation of several measures such as increased taxation. The resulting social unrest forced the government to repeal a number of those measures. The deficit stood at 8.3% of GDP at the end of 2020, the highest in recent decades although lower than the official projection. On a positive note, in January 2021 the country reached a staff level agreement with the IMF to provide financing up to US\$1.75 billion to balance its accounts. This should bode well for investor confidence.

In response to the pandemic, the government has implemented several measures aimed at stimulating the economy, some of which are (1) US\$1 billion in low-interest loans for the productive sector (2) provision of US\$5.5 billion for public investment for 2020 and 2021 and (3) reduction of the Central Bank’s monetary policy rate to 1.25% from 2.25%.

The economy is projected to grow in 2021 by 3%, as the global vaccination program facilitates foreign travel, giving a boost to its significant tourism industry. Also, increased consumer demand should bode well for its export industry, particularly computer and medical technology products and textiles.

The housing market remained strong throughout 2019, mainly buoyed by the country’s booming tourism. Costa Rica has attracted an increasing number of tourists every year since 2010, many of which make the decision to settle there, whether temporarily or permanently. In October, visitor restrictions were lifted and with the rollout of vaccines worldwide, tourism is expected to return to 2019 levels and to continue on its growth path as the world returns to levels of normalcy.

## FLORIDA, USA

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The world's largest economy contracted by 3.5% in 2020, the worst contraction since the second world war, and the first annual contraction since the great recession in 2009, due to the effects of the COVID-19 pandemic. Unemployment reached a record high of 14.7% in April 2020, but has since fallen to 6.7% in December, a sign that the economy is gradually recovering. The country's federal debt stands at US\$27 trillion, which is greater than its annual GDP. This high debt to GDP ratio is a concern for creditors.

The government has injected a US\$2.2 trillion stimulus package into the economy in response to the pandemic under the CARES Act in March 2020. This was the largest stimulus package in US history. Other large stimulus packages are slated for 2021.

The state of Florida, one of the top travel destinations in the world, was impacted particularly heavily by the pandemic, as industries relying on travel and in-person contact such as leisure and hospitality, were dealt the greatest blow. The leisure and hospitality sector contracted by 8.6% in 2020, the main driver of the state's overall projected economic contraction of 6%. Unemployment reached a high of 14.5% in March 2020 but has gradually fallen throughout the year, plateauing at around 6% at the end of the year.

For 2021 the leisure and hospitality sector is projected to grow strongly by 31% as global travel rebounds due to global vaccination programs, while the state's overall economy is projected to grow by 7.6%. Statewide unemployment is projected to fall to 5.5% during 2021 as economic activity rebounds, particularly the labour-intensive services industries. Retail jobs are projected to increase by 10% after declining 6.1% during 2020, despite a few national retail chains such as Brooks Brothers and J.C. Penny filing for bankruptcy amid the pandemic.

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### **In Florida, demand in the real estate market is greatly outpacing supply**

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Florida has been and is projected to continue being one of the top net positive migration states in the USA, due to its favourable climate, favourable tax regime and wide selection of entertainment and attractions. It is therefore expected to be one of the fastest recovering states post-pandemic.

The state has begun to take steps towards recovering from the damage caused by the pandemic. Historically low interest rates have driven up demand for real estate in Florida, more specifically, residential properties. The Miami Herald reported that Florida was the first choice for individuals and families relocating from outside of the state. In Florida, demand in the real estate market is greatly outpacing supply.

According to CBRE, "2020 will be remembered as a year of extremes, from GDP'S unprecedented 31.4% drop in Q2 to its remarkable 33.1% growth in Q3. While continued recovery depends on a medical solution to COVID-19 and on additional government stimulus, GDP is expected to end 2020 down by only 4.0%, followed by a 4.5% rebound in 2021."

The U.S. economy entered a deep recession due to the COVID-19 pandemic, with GDP plunging by an unprecedented 31.4% in Q2 on an annualized basis. As the economic lockdown was loosened, employment growth resumed in May and GDP grew by 33.1% in Q3. Full-year GDP is expected to be down by only 4.0%, followed by a 4.5% rebound in 2021. CBRE forecasts that the strongest growth of next year will occur in Q2 and Q3 - 5.5% and 5.6%, respectively on an annualized basis-bringing U.S. GDP back to pre-COVID levels in Q3 2021. CBRE expects the real estate recovery to lag that of the broader economy, particularly for the office, retail and hotel sectors.

A full economic recovery depends on a medical solution to the COVID-19 pandemic. To that end, there are five vaccines in large-scale U.S. phase three trials. Dr. Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, has indicated that a vaccine could be available for all Americans by April 2021. Pfizer announced on Nov. 9 that its COVID-19 vaccine was found to be 90% effective and that it will seek emergency authorization from the U.S. Food & Drug Administration. Furthermore, several powerful therapeutics are advancing and will be increasingly available next year. CBRE's view is that a medical resolution will occur in the first half of 2021, allowing further loosening of economic restrictions in the second half.

Real estate conditions will start 2021 in a state of flux. Certain sectors will grow strongly, but a full recovery of occupier and investor demand will be held back by the continued influence of COVID-19. Spring and summer will see rebirth and renewal of real estate as a vaccine is widely deployed and further government stimulus drives the economy forward.



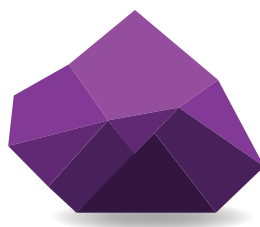


# Hambani ESTATES

**Architect:**  
**Structural Engineer:**  
**MEP Engineer:**  
**Quantity Surveyor:**  
**Land Surveyor:**  
**Attorneys:**  
**Contractor:**  
**Project Manager:**



Atelier-Vidal Limited  
Jentech Consultants Limited  
HTG Engineering Limited  
Wan Mears Associates Limited  
Donovan Simpson & Associates Limited  
Shelards Attorneys-at-Law  
Garco Construction Services Limited  
Plexus Limited



**FirstRock**  
CAPITAL HOLDINGS

876.925.ROCK | [www.firstrock.com](http://www.firstrock.com)



# Management Discussion & Analysis

The Management Discussion and Analysis (“MD&A”) is intended to help shareholders to better understand the financial performance of the Company. The MD&A is provided as a supplement to and should be read in conjunction with the Audited Financial Statements of the Company and the accompanying notes.

## OVERVIEW OF THE BUSINESS

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First Rock Capital Holdings Limited (FirstRock or the Company) is an IBC incorporated in and under the laws of St. Lucia. FCH is an investment holding company, with a core focus on real estate and private equity investments. FCH deploys its capital for the ultimate benefit of its Shareholders.

The investment objective of the Company is to provide Shareholders with a tax-efficient vehicle, generate above average risk adjusted returns and preservation of capital through the diversification of assets. FirstRock invests primarily in real estate assets including income generating investment properties, development projects (greenfield and brownfield), real estate linked financial instruments and opportunistic private equity investments.

The Company's investment scope includes Jamaica, the wider Caribbean, North America and Latin America. The Company has five subsidiaries which together form the Company:

- **First Rock USA LLC** which is a limited liability company incorporated in and under the laws of the State of Florida, USA and holds real estate and investment assets.
- **First Rock Capital Latam, S.A.** which is a corporation incorporated in and under the laws of Costa Rica and holds real estate and investment assets.
- **First Rock Capital Cayman Limited** which is a limited liability company incorporated in and under the laws of Cayman and holds real estate and investment assets.
- **FCH Jamaica Developers Limited** which is a limited liability company incorporated in and under the laws of Jamaica to execute real estate developments.
- **Dolla Financial Services Limited** which is a limited liability company incorporated in and under the laws of Jamaica as a micro-finance entity.

The Company's investment activities are managed by its Investment Manager, First Rock Capital Resource Limited (FCR). FCR is a limited liability company incorporated in and under the laws of Jamaica. FCR is an unrelated, third party asset management company engaged under contract by FirstRock, to achieve the goals and objectives of the Company, whilst adhering to the policies & guidelines determined by the Company, in accordance with all applicable laws.

# Results of Operations

Change  
**284%** Net profit attributable to shareholders of the parent (\$) (2020) **2,659,089** (2019) **692,934**

Change  
**33%** Return on average equity (2020) **11.6%** (2019) **8.7%**

Change  
**19%** Dividend per share (\$) (2020) **0.0044** (2019) **0.0037**

Change  
**122%** Total Assets (\$) (2020) **35,891,128** (2019) **16,172,016**

Change  
**87%** Shareholder Equity (\$) (2020) **29,760,726** (2019) **15,921,045**

Net profit attributable to shareholders increased by 284%, or US\$1.97 million, to US\$2.66 million versus US\$692 thousand for FYE December 2019. The results were mainly driven by the buoyancy in real estate values in the territories of operations, and interest income from financial assets at amortised cost, including loans receivables. Net operating income increased by 196%, or US\$3.98 million, to US\$5.9 million versus US\$2 million for FYE December

2019. Total expenses increased by 150%, or US\$1.99 million, to US\$3.3 million versus US\$1.3 million for FYE December 2019. The increase in expenses was driven by staff costs and other costs associated with Dolla Financial, investment management fees and legal and professional fees.

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## Real estate continues to be one of the most stable asset classes, resulting in a net increase of 292%, or US\$3.7 million

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Total assets amounted to US\$35.9 million as at December 31, 2020, an increase of 122% or US\$19.7 million over the US\$16.17 million reported as at December 31, 2019. The growth was mainly driven by investment properties and financial investments which increased by 110% and 130%, or US\$10.6 million and US\$5.2 million, respectively. Total liabilities amounted to US\$6 million as at December 31, 2020, an increase of 2,323% or US\$5.8 million over the US\$251 thousand reported as at December 31, 2019. Financing received from leading financial institutions for property acquisitions was the main driver of the increase in liabilities, and despite their classification as current as at the year end because they are demand loans, their maturities are not until FYE December 2022 and December 2023.

As at December 31, 2020 Shareholder Equity attributable to equity holders of the company stood at US\$29.7 million, an increase of 87% or US\$13.8 million. US\$13.3 million in capital was raised from the issue of 119,903,258 ordinary shares in an IPO in February 2020. One-time transaction costs associated with the IPO was US\$1 million. These costs represented arranger fees, broker and selling agent fees, and legal fees.

### INVESTMENT ACTIVITIES

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The Company began to realize the expected yields from its investment properties acquired during FYE December 2019, despite the impact of the COVID-19 pandemic. Rental income increased by 438%, or US\$350 thousand, to US\$431 thousand versus US\$80 thousand for FYE December 2019. Real estate continued to prove itself to be one of the most stable

asset classes, especially in times of crisis. This stability resulted in a net gain from fair value adjustment on investment property of US\$4.9 million, an increase of 292%, or US\$3.7 million, versus the US\$1.3 million recorded for FYE December 2019. The strategic diversification of assets across several jurisdictions in the Caribbean, North America and Latin America has been critical to achieving these gains in fair value of investment properties.

Pre-construction investment properties acquired in Kingston 6, Jamaica and Seven Mile Beach, Cayman, have progressed commendably despite the challenges brought on by the pandemic. Completion of both projects are slated for Q1 2021 and are expected to yield solid returns to the Company's bottom line for FYE December 2021.

The acquisition of lands for development located at 3 Bamboo Avenue Kingston 6 during the year will represent the Company's first construction project, with receipt of all permits and consequent ground-breaking slated for Q2 2021. Development lands located at 5 Seaview Avenue acquired during FYE December 2019, will represent the Company's second construction project, with receipt of permits and ground-breaking slated for Q4 2021.



# Risk Management Report

The Company's risk management policy has been developed and implemented to identify, mitigate, and monitor the major risks which may threaten the operations and management of the business. The risk management policy is therefore designed to analyse exposure to these risks, to set appropriate risk limits and to implement appropriate systems and controls.

Given the nature of the Company's primary activities, investments in real estate, there is the risk of exposure to the following risks which the Company seeks to mitigate to preserve capital and achieve an optimal risk adjusted return on assets.

## MARKET RISK

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Market Risk is the risk that the fair value or future cash flows of an asset will fluctuate as a result of changes in market prices, whether caused by macroeconomic factors affecting all assets traded in the market or specific to the individual asset. These arise mainly from changes in interest rate, foreign currency rate, consumer purchasing power, and will affect the Company's income or the value of its asset holdings.

The assets acquired by the Company will be exposed to changes in value. The following strategies are used to minimize the impact of market risk on the assets held:

- (i) strong governance framework to enforce risk limits based on risk appetite;
- (ii) portfolio diversification to minimize overall risk exposure;
- (iii) periodic reporting on risk affecting the various assets;
- (iv) sensitivity analysis of the impact of changes in market variables on the Company's assets carried out periodically; and
- (v) acquisition of assets at a discount to market value.

## CREDIT RISK

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Credit risk is the risk that a debtor fails to meet its obligations in accordance with the terms of the contract. The Company's operations will expose it to credit risk due to the provision or holding of debt instruments. The following strategies are used to mitigate the impact of credit risk:

- (i) thorough analysis of counterparty credit position;
- (ii) stress testing of the Company's portfolio to assess the impact of creditor default;
- (iii) requiring suitable collateral security;
- (iv) imposition of a maximum exposure limit per creditor;
- (v) the diversified holdings of the Company in several different geographies throughout the region; and
- (vi) low debt/EBITDA ratio.

## LIQUIDITY RISK

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Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner. Liquidity risk may result from an inability to convert assets into cash, without incurring a loss of principal or interest during the process.

The following strategies are used to mitigate against liquidity risk:

- (i) establishment of policies and procedures to ensure sufficient liquidity; comprehensive assessment of projected liquidity arising from asset/liability cash flows over varying periods of time;
- (ii) development of a contingency funding plan for periods of reduced market liquidity;

# identify, mitigate, and monitor major risks which may threaten the business

- (iii) conducting stress tests of liquidity to determine potential areas of liquidity strain;
- (iv) maintaining access to various funding sources for diversification and ability to raise funds in a timely manner; and
- (v) monitoring statement of financial position liquidity ratios against internal requirements. The most important of these is the ratio of net liquid assets to current liabilities.

## FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of the company's assets will fluctuate due to changes in foreign exchange rates. The Company's functional currency is the United States dollar and therefore transactions that are denominated in currencies other than the functional currency will give rise to foreign currency risk. The movement in the exchange rate will be mitigated by converting United States dollars into Jamaican dollars and Costa Rican colones. The Company will also seek to mitigate this risk by:

- (i) Matching foreign currency assets with foreign currency liabilities, to the extent practicable; and
- (ii) Locking into forward contracts to protect against foreign exchange fluctuations.

## OPERATIONAL RISK

The Company is subject to the risk of loss resulting from disruptions to its business, or inadequate or failed internal processes, people and systems, or from external events (including severe weather, other acts of God and social unrest) affecting any of the subsidiaries. This definition also includes systemic risk (including the risk of accounting errors, failure to procure appropriate insurance coverage, and compliance failures), legal risk and reputation risk. This catch-all category of risks also includes employee errors, computer and manual systems failures, security failures, fire, floods or other losses to physical assets, and fraud or other criminal activity or any other risk that affects the volume of visitor arrivals to the jurisdictions of operation. The Directors consider that the businesses are prudent and that each insures itself substantially against these risks. It may not be feasible for the businesses to insure against all the risks mentioned, because coverage may not be available, or it may not be economical to do so. For instance:

- (i) the insurers could delay settlement or deny liability in respect of a claim which could delay or prevent the repair or reinstatement of the real estate asset with consequential loss of rental income and exposure to increased costs of repairs or reinstatement;
- (ii) an insurer or reinsurer could become insolvent or otherwise be unable to fulfil their obligation under the policy of insurance;
- (iii) loss of rent is not covered under the insurance policy; and
- (iv) after a loss, the existing tenant may elect to relocate to other premises or to close operations in the leased premises and management may be unable to promptly find a suitable replacement tenant.

The following strategies are used to mitigate the impact of Operational Risk:

- (i) Establishment of company manuals and procedures to guide employees;
- (ii) Installation of security systems to safeguard the Company's assets from theft;
- (iii) Utilizing reputable software, hardware and IT service providers; and
- (iv) A comprehensive Business Continuity Plan, which is revised on an ongoing basis, is in place for entities within the Company.

## ACQUISITION RISK

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There are risks associated with real estate acquisition and property development. Some of these risks are as follows:

- (i) the inability of one or more parties to complete the acquisition after making a non-refundable deposit and incurring other related costs;
- (ii) the actual costs of repositioning, redeveloping, retrofitting or maintaining the acquired real estate asset may exceed initial estimates;
- (iii) the acquisition agreement may contain conditions of completion that may become onerous due to changing circumstance that are not within the Company's control, which may not be satisfied; and
- (iv) the Company may acquire properties subject to liabilities and without any recourse, or with only limited recourse against prior owners or other third parties with respect to unknown liabilities. Therefore, if a liability were asserted against the Company based upon ownership of those real estate assets, the Company might face substantial sums to settle or contest it, which could adversely affect its operations and cash flow. Unknown liabilities with respect to acquired real estate assets might include:
  - a) liabilities for clean-up of undisclosed environmental contamination;
  - b) claims by tenants, vendors or other persons against the former owners of the properties; and
  - c) liabilities incurred in the ordinary course of business.

## LESSEE'S RISK

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Although management exercises its due diligence in selecting reputable tenants for the real estate assets of the Company, changes in the financial circumstances of a tenant could affect their creditworthiness and business practices. Rental income could therefore be affected by counter-party risk under the relevant leases – this risk arises if a tenant is unable or unwilling to pay their rent when it becomes due. This risk has been mitigated by requiring tenants to place a security deposit of a minimum of one month's rent.

## RISK OF CATASTROPHIC EVENTS

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Property damage and business interruption arising out of natural disasters and other catastrophes, may have a significant impact on the results of the operations and financial condition of the Company. Natural disasters and other catastrophes can be caused by various events including, but not limited to, hurricanes, earthquakes, tornadoes, wind, hail, fires and explosions, and the incidence and severity of natural disasters and other catastrophes are inherently unpredictable. Most natural disasters and other catastrophes are localized; however, hurricanes, earthquakes and floods have the potential to produce significant damage in widespread areas.

Management mitigates this risk by conducting a thorough geographic assessment of property locations prior to acquisition. Geographic areas which are along active fault lines or are within common hurricane paths will be avoided. Further mitigation will be the implementation of adequate insurance coverage so that in the event of a catastrophic event, the Company can recover as much of the market value of its assets as possible.

## NEW ACCOUNTING RULES OR STANDARDS

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The Company may become subject to new accounting rules or standards that differ from those that are currently applicable. Such new accounting rules or standards could require significant changes in the way the Company and/or investee companies report its financial position, operating results or cash flows. Such changes could be applied retrospectively. This risk is common to companies that apply International Financial Reporting Standards (IFRS).

# Corporate Governance

Corporate Governance forms the fulcrum of the company's undertaking. We employ the strictest corporate governance practices. The board undergoes corporate governance training the first of which took place just prior to our listing on the Jamaica Stock Exchange in February 2020. The corporate governance committee meets 4 times per year as per the Corporate Governance committee charter and has as its membership, four independent members from the Board of Directors.

## BOARD EXPERTISE TABLE

The Board of Directors represents individuals whose expertise spans the following disciplines:

- Real Estate Development
- Finance
- Governance
- Investments
- Banking
- Entrepreneurship
- Technology

Name	Appointed to Board	Board	Audit	Corporate Governance
# of Meetings		4	5	2
Norman Reid	2018	4	5	N/A
Douglas Halsall	2018	3	3	2
Kisha Anderson	2019	4	N/A	2
Alton Morgan	2018	4	N/A	2
Fay Ann Hutchinson <sup>1</sup>	2020	3	3	N/A
York Seaton	2018	2	N/A	N/A
Lisandra Rickards <sup>2</sup>	2018	1	N/A	N/A
Dr. David Lowe <sup>3</sup>	2018	1	N/A	N/A

1. Resigned on March 17, 2021

2. Resigned March 18, 2020

3. Resigned February 28, 2020

## BOARD ACTIVITIES & REMUNERATION

Non-Executive Directors of the board are compensated with an appropriate remuneration package which should attract, motivate, and retain members based on their qualifications and experience needed to promote the growth of the company. The appropriate level of compensation to be paid to directors accounts for factors such as:

- Time commitment to execute duties of the company
- Costs required to effectively satisfy relevant roles
- Market rates and rising costs of environment
- Qualification and expertise introduced to the board

**For the 2020 FY, the directors fees totalled USD \$36,000.**

Board members are currently compensated with a USD \$1,500 fee per quarter which includes a USD \$750 retainer. Each board meeting and sub-committee board meeting results in a US \$500 fee per appearance for any member. There is no share compensation package nor retirement plan afforded to directors of the board for their role as a Director.

## DIVIDEND POLICY

FRCH has a dividend policy which stipulates that a minimum of 50% of the company's profits to shareholders in the form of cash dividends (United States Dollars which is the company's functional currency) to be paid on a quarterly basis, subject to the board's discretion in

balancing capital management needs and returning capital to shareholders. The company can elect to pay out special dividends based on realized gains arising from transactions such as the disposal of a subsidiary or realised gains from sale of a property or financial instrument.

FRCH paid its first dividend in October 2019 and maintain its quarterly pay-outs. A total of \$1,172,703 or US \$0.0041 per share was paid out in the 2020 FY. This resulted in a dividend yield of 5.24% based on the closing market price of US \$0.0782.

## SHAREHOLDER ENGAGEMENT & COMMUNICATION

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In the interest of transparency and shareholder interests, the Board of Directors maintains a central policy of communicating with all stakeholders such as shareholders, regulators, financiers, and prospective investors. The main channels of communication include the company's website ([firstrock.com](http://firstrock.com)), our quarterly and annual reports, notices made in a daily newspaper and disclosures posted on the Jamaica Stock Exchange's website.

As a St. Lucian IBC, our annual general meetings (AGM) are held in St. Lucia with a satellite location in Jamaica or facilitated via electronic mediums as permitted by St. Lucian law. Due to the COVID-19 pandemic, the company encourages shareholders to join future AGM's or meetings on the virtual platform in use for the meeting. AGM's offer shareholders the opportunity to share their interests and concerns with the Board and Management of the company. Shareholders have a critical role in the company's operations as they elect directors, approve the audited financials, select the auditor and confirm dividend payments as final for a specific timeline.

Minutes of the AGM will be made available to shareholders at subsequent AGM's or upon request via email to [info@firstrock.com](mailto:info@firstrock.com). This email also acts as a medium for shareholders to send queries or potential resolutions for the board or respective subcommittee to consider. We value the interest of all shareholders and encourage persons to write to the company secretary at First Rock Capital Holdings Limited, Bourbon House, 1 Bourbon Street, Castries St. Lucia.

# Corporate Data

## REGISTERED OFFICE

Bourbon House  
1 Bourbon Street  
Castries, St. Lucia

## MANAGERS

### First Rock Group

14 Canberra Crescent  
Kingston, Jamaica

## SUBSIDIARIES

### First Rock USA LLC

515 Southwest 1st Avenue  
Fort Lauderdale, Florida USA

### First Rock LATAM S.A.

Oficentro Forum 2, Edificio A, Piso 4,  
Santa Ana, San José, Costa Rica

### First Rock Capital Cayman Ltd

Cayman Islands Office Harbour Place, 2nd Floor  
PO Box 472 103 South Church Street,  
Grand Cayman

### Dolla Financial Services

Unit 1 Barbican Business Centre,  
88 Barbican Road,  
Kingston Jamaica

### FCH Jamaica Developers Ltd.

14 Canberra Crescent  
Kingston, Jamaica

## AUDITORS

### PriceWaterHouse Coopers (St. Lucia)

Unit 111 Johnsons Centre  
No 2 Bella Rosa Road  
P.O.Box BW 304  
Gros Islet, St. Lucia

## REGISTRAR & TRANSFER AGENTS

### Jamaica Central Securities Depository,

40 Harbour Street  
Kingston, Jamaica

## PRINCIPAL BANKERS

### Sagicor Bank Jamaica Limited

Dominica Drive  
Kingston, Jamaica

## ATTORNEYS

### Matthew Hogarth & Company

Barbados Avenue  
Kingston, Jamaica

### Shelards Attorneys-at-law

Stanton Terrace  
Kingston, Jamaica

# Shareholders Information

## Top 10 Shareholders AS AT DECEMBER 31, 2020

	Name	Volume	%
1.	David Chin	18,350,000	6.41552
2.	JCSD Trustee Services Ltd - Sigma Equity	15,400,000	5.38414
3.	Airport Authority Of Jamaica	14,259,000	4.98522
4.	NMIA Airports Limited	14,259,000	4.98522
5.	Sagicor Pooled Equity Fund	13,746,000	4.80587
6.	MF&G Trust & Finance Ltd.	10,400,000	3.63604
7.	Beech Realty Company Ltd.	10,000,000	3.49619
7.	National Insurance Fund	10,000,000	3.49619
8.	JMMB Retirement Scheme	8,400,000	2.93680
9.	Nekia Limited	7,129,000	2.49244
10.	Ryan-Kwesi Raynardo Reid	5,620,000	1.96486
<b>Total Issued Capital:</b>		<b>286,025,318</b>	

# Directors' Shareholdings Report AS AT DECEMBER 31, 2020

Board Member	*Primary Holder Joint Holder	Position on Board	Relationship	Volume	%	
<b>Norman Reid</b>	Norman Reid	Director	Self	14,000	0.00489	
	Pauline Reid		Connected		0.00000	
				<b>Director's Holdings</b>	<b>14,000</b>	<b>0.00489</b>
				<b>Connected Party Holdings</b>	<b>0</b>	<b>0.00000</b>
				<b>Combined Holdings</b>	<b>14,000</b>	<b>0.00489</b>
<b>Douglas Halsall</b>	Douglas Halsall	Director	Self	924,000	0.32305	
	Gloria Marjorie		Connected	-	0.00000	
	Advanced Integrated Systems Limited		Connected	-	0.00000	
	Qmall Limited		Connected	-	0.00000	
	HEALTH ADMINISTRATION SYSTEMS LIMITED		Connected	3,852,000	1.34673	
				<b>Director's Holdings</b>	<b>924,000</b>	<b>0.32305</b>
				<b>Connected Party Holdings</b>	<b>3,852,000</b>	<b>1.34673</b>
			<b>Combined Holdings</b>	<b>4,776,000</b>	<b>1.66978</b>	
<b>York Page Seaton</b>	York Page Seaton	Director	Self	925,000	0.32340	
	York Page Seaton		Connected	3,854,158	1.34749	
	Claudette Seaton		Connected	-	0.00000	
	Y.P. Seaton & Associates Limited		Connected	-	0.00000	
				<b>Director's Holdings</b>	<b>4,779,158</b>	<b>1.67089</b>
				<b>Connected Party Holdings</b>	<b>-</b>	<b>0.00000</b>
			<b>Combined Holdings</b>	<b>4,779,158</b>	<b>1.67089</b>	



<b>Board Member</b>	<b>*Primary Holder Joint Holder</b>	<b>Position on Board</b>	<b>Relationship</b>	<b>Volume</b>	<b>%</b>
<b>Alton Morgan</b>	Alton Morgan	Director	Self	-	0.00000
	Peggy Myers-Morgan		Connected	-	0.00000
	Dionne Morgan		Connected	-	0.00000
	Nicholas Morgan		Connected	-	0.00000
	Legisperitus Limited		Connected	-	0.00000
			<b>Director's Holdings</b>	<b>-</b>	<b>0.00000</b>
			<b>Connected Party Holdings</b>	<b>-</b>	<b>0.00000</b>
			<b>Combined Holdings</b>	<b>-</b>	<b>0.00000</b>
<hr/>					
<b>Kisha Anderson</b>	Kisha Anderson	Director	Self	135,000	0.04720
	Kurt Anderson		Connected	-	0.00000
	Daniel Anderson		Connected	-	0.00000
	Matthew Anderson		Connected	-	0.00000
				<b>Director's Holdings</b>	<b>135,000</b>
			<b>Connected Party Holdings</b>	<b>-</b>	<b>0.00000</b>
			<b>Combined Holdings</b>	<b>135,000</b>	<b>0.04720</b>
<hr/>					
<b>Fay Hutchinson</b>	Fay Hutchinson	Director	Self	1,000,000	0.34962
	Gordon Hutchinson		Connected	-	0.00000
	Andre Hutchinson		Connected	-	0.00000
	Fiona Hutchinson		Connected	-	0.00000
				<b>Director's Holdings</b>	<b>1,000,000</b>
			<b>Connected Party Holdings</b>	<b>-</b>	<b>-</b>
			<b>Combined Holdings</b>	<b>1,000,000</b>	<b>0.34962</b>

# Corporate Social Responsibility



Knockalva Polytechnic College

## EDUCATION

There is absolutely no doubt that COVID-19 has disrupted the various sectors of our economy. One such sector that has been severely impacted is that of Education. With the focus of the First Rock Foundation being Education, it was a perfect alignment for us to seek to address some of the needs in Education. Many appeals were made to us for tablets to assist with online learning. We were able to distribute One Hundred and six (106) tablets totalling over One Million Dollars (\$1,000,000) to the following institutions;

Knockalva Polytechnic College (20)

Hands of Grace Foundation (10)

Randolph School of Hope (Main School and St. Judes Unit) through the Kiwanis Club of New Kingston (10)

Kiwanis Club of West Kingston for Student Learning Program (SLP) (4)

St Mary Charities (40)

Rosewell Primary (20)

Titchfield High School (2)



St. Judes Primary



Rosewell Primary



Titchfield



Central St Mary



Randolph School of Hope

## FIRST ROCK FOUNDATION

First Rock Capital Holdings effected a mandate since its inception to ensure that as the company performs, it ensures that it creates shared value in the jurisdictions in which it operates. The First Rock Foundation was formed as the vehicle for its corporate social responsibility initiatives.

With 80% of households suffering a loss of income and 49% of those in the lower socio-economic bracket, the need for Corporate Social Responsibility (CSR) has never been more acute. We are proud of the fact that we were able to answer the call and provide assistance to some very deserving causes.



The First Rock Foundation has accomplished a lot and has set goals for the future. The primary objective being to stimulate and develop student interest in the field of EDUCATION, primarily entrepreneurship and to assist in acquiring educational materials, books, equipment and computers for schools and other learning institutions.



Clarendon Crime Prevention



Sirgany Beach Cleanup

## COMMUNITY OUTREACH

We all know that a child cannot learn to their full potential when distracted by an empty stomach. As part of our outreach program, we contributed One Thousand and Eighty Four care packages with basic food items and hygiene products valued at over Two Million Jamaican Dollars (J\$2,000,000). These were donated across the Island of Jamaica.

During the month of July 2020, there was a beach clean-up at Sirgany (along Kingston harbour in Jamaica) where several government and private sector organizations partnered to clean up the harbour. This was an initiative in line with the overall restoration of downtown Kingston. The project included measures to ensure social distancing regulations were observed, and masks were also provided.

Despite 2020 being a very challenging year on all fronts, we are not looking back, but ahead to the future. Many initiatives are in the planning stages three of which are listed below:

1. We are working with the Ministry of Education to offer scholarships to secondary and tertiary students based on financial need and academic performance.
2. We will collaborate with other agencies to achieve our primary goals if they meet our objectives while still maintaining our identity.
3. We will contribute to social, cultural, and athletic activities that will provide for a healthful and productive environment.

The foundation is committed to the islands of St. Lucia, Jamaica and Cayman and will continue in pursuit of its mandate.

**Joyce Chin**  
Chairperson- First Rock Foundation

# Audited Financials



## Independent auditors' report

To the Members of First Rock Capital Holdings Limited

### Report on the audit of the consolidated financial statements

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#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of First Rock Capital Holdings Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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#### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers East Caribbean, Unit 111 Johnsons Centre, No. 2 Bella Rosa Road, P.O. Box BW 304,  
Gros Islet, St. Lucia  
T: (758) 722 6700, [www.pwc.com/bb](http://www.pwc.com/bb)

A full listing of the partners of PricewaterhouseCoopers East Caribbean is available upon request.





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## Our audit approach

### ***Audit scope***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### ***How we tailored our group audit scope***

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

In determining the scope of our audit, we considered the internal organisation of the Group and identified the components that have the most significant impact on the consolidated financial statements. The Group comprised 6 reporting components, of which we selected 5 to perform audit procedures over, which represent the principal business units within the Group. These business units are located in Jamaica, the United States of America, the Cayman Islands and Costa Rica. Full scope audits were performed for all 5 components. The audit work performed covered 100% of the Group's total assets and 100% of total revenue.

The Group's businesses are organised into two primary business segments being real estate and, financial investments and micro-financing.

One of the most significant events in 2020 was the impact of the Novel Coronavirus (COVID-19) on the results of the Group's operations and on the valuation, and determination of the recoverable amounts of some of the Group's assets. The areas most impacted by COVID-19 include revaluation gains/losses on investment property and expected credit losses (ECLs) on investments and loans. Another significant event for the Group this year was the acquisition of 75% of the issued share capital of Dolla Financial Services Limited, a micro finance lender incorporated in Jamaica.

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### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matter

### IFRS 9 'Financial Instruments' - Probabilities of Default, Forward Looking Information & Significant Increase in Credit Risk

*See notes 2 (h), 17, 18 and 28 (b) to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.*

As at 31 December 2020, loans, net of provision for credit losses, totalled \$2.1 million on the Group's consolidated statement of financial position. The Group's debt securities measured at amortised cost totalled \$7.9 million. Overall, the above exposures represent 27.9% of total assets in aggregate. The impairment recorded under the IFRS 9 expected credit loss (ECL) impairment model amounted to \$0.15 million for loans and advances and \$0.59 million for debt securities. Management utilised an expert to assist in determining the ECLs.

The IFRS 9 ECL model takes into account probabilities of default (PDs) as well as reasonable and supportable forward looking information (FLI).

PDs represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. The twelve month and the lifetime PDs are determined differently for loans and for debt securities.

For loans, management-determined PDs are developed based on the loan portfolio's own experience, considering the number of loans in default in each year as a percentage of the number loans in existence at the end of the year.

In performing historical analyses, management identified economic variables impacting credit risk and ECLs on a global basis. Various scenarios were identified, and weightings assigned using macro-economic factors as well as management's experience and judgement, culminating in a FLI factor which is applied in arriving at the ECL.

## How our audit addressed the key audit matter

Our approach to addressing the matter involved the following procedures, amongst others:

Updated our understanding of management's ECL model, including any changes to source data and assumptions.

Evaluated the FLI and SICR in the ECL determination including through discussions with management and management's experts.

With the assistance of our valuation experts we performed the following:

- Tested the mathematical integrity of the model.
- Evaluated the appropriateness of management's judgements pertaining to FLI, including macro-economic factors and the basis of the multiple economic scenarios used.
- Sensitised the FLI factor used, as part of our reasonableness tests.

We further evaluated the reasonableness of management's judgements pertaining to PD, SICR and FLI, including macro-economic factors, impacting the weighting of the scenarios due to the negative impact of COVID-19 as follows:

#### *Loans and advances:*

- Tested the completeness and accuracy of the historical data used on a sample basis by agreeing the details of the customer payment profile to source documents.
- Reperformed, on a sample basis, the staging of loans with reference to days past due and agreed this to the ECL model.



Key audit matter	How our audit addressed the key audit matter
<p>For debt securities PDs are developed with reference to external data collated by Moody's.</p> <p>Management also performs scenario analysis to determine the impact of future economic conditions on PDs related to the securities they hold. A macro-economic indicator is determined, which is statistically linked to the credit risk of the exposure. Weightings are also assigned using macro-economic factors as well as management's experience and judgement, culminating in a FLI factor which is applied in arriving at the ECL.</p> <p>The unprecedented economic impact of COVID-19 resulted in a significant increase in credit risk (SICR) for some borrowers (both loans and debt securities) who migrated from Stage 1 to Stage 2 (as well as some borrowers who were determined to be credit impaired and migrated to Stage 3) based on an assessment of the industry in which the borrower operates, failure or inability to meet scheduled payments and other relevant factors. In the event of a SICR, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).</p> <p>Upside and downside scenarios are set relative to the base scenario based on reasonably possible alternative macro-economic conditions.</p> <p>We focused on this area because of the complexity of the techniques used to determine PDs, the number of significant judgements made by management regarding possible future economic scenarios and the impact of COVID-19 on credit risk.</p>	<ul style="list-style-type: none"><li>• Tested the critical data fields used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents.</li></ul> <p><i>Debt Securities:</i></p> <ul style="list-style-type: none"><li>• Tested the reliability of source data used to determine the PD in the model by corroborating the data to external public information, where available.</li><li>• Tested the critical data fields used in the ECL model for the PD determination, such as the credit rating and date of default if any, and type of debt security by tracing data back to source documents.</li></ul> <p>SICR (Loans and advances and debt securities):</p> <ul style="list-style-type: none"><li>• For debt securities only, tested, on a sample basis, the accuracy of the initial credit risk and the credit risk at the reporting date using rating agency definitions of 'investment grade' (as applied by management) and evaluated the appropriateness of the Group stage migration applied to borrowers.</li><li>• Performed an independent qualitative assessment for a sample of borrowers to determine whether there was any adverse public information affecting the criteria used to perform the staging.</li></ul> <p>The results of our procedures indicated that the assumptions used by management for determining the probabilities of default, forward looking information and significant increase in credit risk were not unreasonable.</p>



Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of Investment Properties</b></p> <p><i>See notes 2 (g), 3 (b) and 13 to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.</i></p> <p>As at 31 December 2020, investment properties and investment properties held for sale totalled \$20.32 million or 57% of total assets for the Group. The determination of the fair value of investment properties requires significant judgement and was therefore an area of focus for the audit.</p> <p>Management, through independent valuation experts, used the comparable sales approach as well as the direct capitalisation approach to value its properties.</p> <p>Both methods of valuation use assumptions that require estimation and judgement. The key assumptions include:</p> <ul style="list-style-type: none"> <li>• Determination of a point within a range of comparables, which best represents the value for the property;</li> <li>• Rental income used in the valuation;</li> <li>• Determination of a capitalisation factor; and</li> <li>• An estimation of the impact of the COVID-19 pandemic on the property valuation.</li> </ul> <p>Changes in these assumptions may have a significant impact on the carrying value of investment properties.</p>	<p>Our approach to addressing the matter involved the following procedures, amongst others:</p> <p>Updated our understanding of the valuation process and obtained information on significant developments within the industry.</p> <p>Assessed the competence and objectivity of the property valuers in order to determine whether they were appropriately qualified and whether there was any affiliation to the Group.</p> <p>Assessed the appropriateness of the valuation methodology used in order to evaluate whether it was suitable for determining market value in accordance with the financial reporting framework.</p> <p>With the assistance of our valuation experts, performed the following:</p> <ul style="list-style-type: none"> <li>• Assessed the point on the range of comparables for the Group's properties and considered whether the implied adjustment to the referenced sales was reasonable.</li> <li>• Challenged the capitalisation factors used by benchmarking the assumptions to relevant market evidence, where available, which included performing comparisons to similar properties located in the same area.</li> <li>• Assessed the impact of COVID-19 on the property valuations by considering market trends as well as any vacancies and/or rent concessions granted during the year.</li> <li>• Agreed the inputs used in estimating the rental income by the property valuers to supporting documentation.</li> </ul> <p>Based on the procedures performed, management's valuation of investment properties recorded in the consolidated financial statements was not unreasonable.</p>



## Key audit matter

### Fair value of intangibles arising on business combination

See notes 2 (b), 2 (c), 3 (e) and 31 to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.

The Group acquired 75% of the issued share capital of Dolla Financial Services Limited (Dolla) for consideration of \$0.5 million. As a result of the transaction, as well as certain changes to the composition of Dolla's Board, management concluded it had obtained control of Dolla, and consequently, that Dolla became a subsidiary of the Group.

Intangibles arising on acquisition of Dolla totalled \$0.4 million or 1.1% of total assets at the consolidated statement of financial position date.

The accounting for the acquisition was a key audit matter because of the nature of business combinations, the requirements of which can be complex and require management to exercise judgement in determining certain estimates. The complex judgements include determining, identifying and estimating the fair value of the intangible assets acquired and involves the use of a number of valuation assumptions and inputs including:

- Revenue growth rates, EBITDA margins, attrition rates, expense forecasts and tax rates;
- Discount rate; and
- Remaining useful lives.

The Group was assisted by an external valuation expert in this process.

## How our audit addressed the key audit matter

Our approach to addressing the matter involved the following procedures, amongst others:

With the assistance of our valuation expert in certain aspects of our procedures, tested the fair values of the intangible assets recognized as follows:

- Evaluated the application of the valuation methodologies utilised to derive the fair value of the identified intangible assets.
- Assessed the competence and capability of management's valuation expert.
- Tested the reasonableness of valuation assumptions and inputs by:
  - Referencing historical information in management's cash flow projections to supporting documents and information;
  - Corroborating the revenue growth rates, EBITDA margins, attrition rates, expense forecasts and tax rates by comparison to historical information and independent economic and market data;
  - Comparing the discount rate to that which would be used by a market participant;
  - Performing our own cost of capital calculation using available data and market sources; and
  - Agreeing the remaining useful lives of each intangible asset identified to the period over which the cash flows are expected to be generated.
- Tested the mathematical accuracy of management's discounted cash flow by reperforming the underlying calculations.
- Performed sensitivity analyses on certain of management's assumptions and inputs.

Based on the procedures performed, the values recorded in the consolidated financial statements are not considered to be unreasonable.



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### Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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### 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.

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 auditors' 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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The engagement partner on the audit resulting in this independent auditors' report is Tonya Graham.

*PricewaterhouseCoopers*

Chartered Accountants  
11 May 2021  
Castries, St. Lucia

First Rock Capital Holdings Limited

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

(expressed in US dollars unless otherwise indicated)

	Note	2020 \$	For the twenty-six months ended 31 December 2019 \$
<b>Income</b>			
Rental income	5	431,172	80,195
Net gain from fair value adjustment on investment property	13	4,942,123	1,259,207
<i>Property Income</i>		<u>5,373,295</u>	<u>1,339,402</u>
Interest income from financial assets at amortised cost	6	1,344,886	322,001
Dividend income from financial assets at fair value through profit or loss	6	25,129	-
Loss on sale of financial instruments at fair value through profit or loss		(133,810)	-
Net change in fair value of financial instruments at fair value through profit or loss		256,435	(40,004)
(Loss)/gain on sale of financial instruments at amortised cost		(37,500)	16,600
Foreign exchange (losses)/gains		<u>(463,022)</u>	<u>420,954</u>
Investment income		992,118	719,551
Interest expense	6	(40,219)	-
Expected credit losses	10	<u>(701,862)</u>	<u>(34,979)</u>
<i>Net Investment Income</i>		<u>250,037</u>	<u>684,572</u>
Fee and commission income	7	161,244	-
Fee and commission expense	7	<u>(31,240)</u>	<u>-</u>
<i>Net fee and commission income</i>	7	<u>130,004</u>	<u>-</u>
Negative goodwill on acquisition of Dolla	31	225,518	-
Other income	8	<u>20,132</u>	<u>-</u>
		<u>245,650</u>	<u>-</u>
<b>Net operating income</b>		<u>5,998,986</u>	<u>2,023,974</u>
<b>Expenses</b>			
Depreciation and amortisation expense	9	120,170	1,434
Performance based fee	9	255,712	262,662
Other operating expenses	9	<u>2,953,297</u>	<u>1,068,689</u>
<b>Total expenses</b>		<u>3,329,179</u>	<u>1,332,785</u>
<b>Profit before taxation</b>		2,669,807	691,189
Taxation expense	12	<u>(65,170)</u>	<u>1,745</u>
<b>Net profit</b>		<u>2,604,637</u>	<u>692,934</u>

First Rock Capital Holdings Limited

# Consolidated Statement of Comprehensive Income (cont'd)

31 December 2020

(expressed in US dollars unless otherwise indicated)

	Note	2020	For the twenty-six months ended 31 December 2019
Net profit is attributable to:			
Shareholders of the parent		2,659,089	692,934
Non-controlling interest		<u>(54,452)</u>	<u>-</u>
		<u>2,604,637</u>	<u>692,934</u>
<b>Basic and diluted earnings per stock unit for profit attributable to the equity holders of First Rock Capital Holdings Limited</b>	26	<u><b>0.01</b></u>	<u><b>0.01</b></u>
Net profit		2,604,637	692,934
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation gains/(losses)		<u>82,628</u>	<u>(44,889)</u>
Total comprehensive income for the period		<u>2,687,265</u>	<u>648,045</u>
Total comprehensive income attributable to:			
Shareholders of the company		2,746,076	648,045
Non-controlling interest		<u>(58,811)</u>	<u>-</u>
		<u>2,687,265</u>	<u>648,045</u>

First Rock Capital Holdings Limited

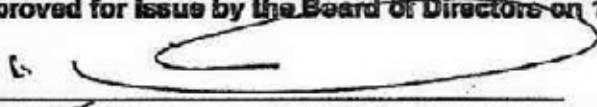
# Consolidated Statement of Financial Position

31 December 2020

(expressed in US dollars unless otherwise indicated)

	Note	2020 \$	2019 \$
<b>Non-current assets</b>			
Investment properties	13	19,560,912	9,681,614
Property, plant & equipment	16	224,907	50,241
Intangible assets	15	341,395	-
Deferred tax asset	24	-	6,563
Loans net of provisions for credit losses	17	213,418	-
Investments at amortised cost, net of provision for credit losses	18	2,929,029	3,421,863
Investments at fair value through profit or loss	18	1,259,258	54,976
		<u>24,528,919</u>	<u>13,215,257</u>
<b>Current assets</b>			
Property acquisition deposits	14	1,598,524	1,321,621
Current portion of loans net of provisions for credit losses	17	1,852,233	-
Current portion of investments at amortised cost	18	5,016,048	540,860
Due from related parties	19	74,569	831
Other assets	20	490,925	114,641
Investment property held for sale	13	760,000	-
Cash and cash equivalents	21	1,569,910	978,806
		<u>11,362,209</u>	<u>2,956,759</u>
<b>Current liabilities</b>			
Current tax liabilities		47,358	1,717
Due to related parties	19	380,970	122,329
Current portion of long term loans	23	4,800,052	-
Current portion of lease liability	30	65,009	-
Other liabilities	22	554,175	126,925
		<u>5,847,564</u>	<u>250,971</u>
<b>Net current assets</b>		<u>5,514,645</u>	<u>2,705,788</u>
		<b><u>30,043,564</u></b>	<b><u>15,921,045</u></b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the company</b>			
Share capital	25	27,738,654	15,472,346
Foreign currency translation reserve		42,098	(44,889)
Retained earnings		1,979,974	493,588
		<u>29,760,726</u>	<u>15,921,045</u>
Non-controlling interest		48,469	-
<b>Total Equity</b>		<u>29,809,195</u>	<u>15,921,045</u>
<b>Non-current liabilities</b>			
Deferred tax liability	24	152,790	-
Lease liability	30	81,579	-
		<u>30,043,564</u>	<u>15,921,045</u>

Approved for issue by the Board of Directors on 11 May 2021 and signed on its behalf by:

  
Norman Reid

Chairman

  
Douglas Halsall

Director

First Rock Capital Holdings Limited

# Consolidated Statement of Changes in Equity

Year ended 31 December 2020

(expressed in US dollars unless otherwise indicated)

	Note	Attributable to Equity Holders of the Parent						Total Equity \$
		Number of Shares	Share Capital \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total \$	Non-Controlling interest \$	
<b>Balance at 4 October 2017</b>		-	-	-	-	-	-	-
Profit for the year		-	-	-	692,934	692,934	-	692,934
Other comprehensive income		-	-	(44,889)	-	(44,889)	-	(44,889)
<b>Total comprehensive income</b>		-	-	(44,889)	692,934	648,045	-	648,045
<b>Transactions with owners</b>								
Share issue	25	167,122,068	15,472,346	-	-	15,472,346	-	15,472,346
Dividends	27	-	-	-	(199,346)	(199,346)	-	(199,346)
<b>Balance at 31 December 2019</b>		<b>167,122,068</b>	<b>15,472,346</b>	<b>(44,889)</b>	<b>493,588</b>	<b>15,921,045</b>	<b>-</b>	<b>15,921,045</b>
Profit for the year		-	-	-	2,659,089	2,659,089	(54,452)	2,604,637
Other comprehensive income		-	-	86,987	-	86,987	(4,359)	82,628
<b>Total comprehensive income</b>		-	-	86,987	2,659,089	2,746,076	(58,811)	2,687,265
Non-controlling interest on acquisition of Dolla Financial Services Limited	32, 33	-	-	-	-	-	167,606	167,606
<b>Transactions with owners</b>								
Share issue	25	119,903,258	12,266,308	-	-	12,266,308	-	12,266,308
Dividends	27	-	-	-	(1,172,703)	(1,172,703)	(60,326)	(1,233,029)
<b>Balance at 31 December 2020</b>		<b>287,025,326</b>	<b>27,738,654</b>	<b>42,098</b>	<b>1,979,974</b>	<b>29,760,726</b>	<b>48,469</b>	<b>29,809,195</b>



# First Rock Capital Holdings Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2020

(expressed in United States dollars unless otherwise indicated)

	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Net profit		2,604,637	692,934
Adjustments for:			
Depreciation of property, plant and equipment	16	81,626	1,434
Amortisation of intangible assets	15	39,090	-
Interest income from financial instruments at amortised cost	6	(1,344,886)	(322,001)
Dividend income from financial instruments at fair value through profit or loss	6	(25,129)	-
Interest expense	6	40,219	-
Foreign exchange losses/(gains)		463,022	(420,954)
Negative goodwill on acquisition of Dolla	31	(225,518)	-
Net gain from fair value adjustment on investment property	13	(4,942,123)	(1,259,207)
Net change in fair value of financial instrument at fair value through profit or loss		(256,435)	40,004
Gain on sale of investments of financial instruments at amortised cost		37,500	(16,600)
Gain on sale of investments of financial instruments at FVTPL		133,810	-
Net impaired losses	10	701,862	34,979
Taxation expense		65,170	(1,745)
Changes in operating assets and liabilities			
Related party balances		519,217	166,652
Loans receivable		(488,431)	-
Other assets		67,422	(180,365)
Other liabilities		(270,203)	126,116
		(2,799,150)	(1,138,753)
Interest received		599,103	-
Interest paid		(19,398)	-
Taxation paid		(16,839)	(3,101)
<b>Cash used in operating activities</b>		<b>(2,236,284)</b>	<b>(1,141,854)</b>
<b>Cash flows from investing activities</b>			
Interest received		420,409	235,620
Purchase of property, plant and equipment	16	(139,284)	(51,675)
Proceeds from disposal of property, plant and equipment		31,608	-
Acquisition of investment property	13	(5,000,000)	(8,422,407)
Proceeds from disposals of investment property		310,000	-
Property development costs	13	(1,014,804)	-
Property acquisition deposit		(276,903)	(1,321,621)
Outflow of cash to acquire subsidiary	31	(103,144)	-
Disposal of investments		15,335,796	49,747,024
Purchase of investments		(22,412,597)	(53,618,753)
<b>Net cash used in investing activities</b>		<b>(12,848,919)</b>	<b>(13,431,812)</b>
<b>Cash flows from financing activities</b>			
Dividends	27	(889,710)	(199,346)
Issue of shares, net of transaction costs	25	12,266,308	15,472,346
Loans received		4,818,207	-
Loan interest repaid		(206,100)	-
Lease principal payment		(36,129)	-
<b>Net cash provided by financing activities</b>		<b>15,952,576</b>	<b>15,273,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>867,373</b>	<b>699,334</b>
Exchange differences on cash and cash equivalents		(276,269)	279,472
Cash and cash equivalents at beginning of period		978,806	-
<b>Cash and cash equivalents at the end of the period</b>	21	<b>1,569,910</b>	<b>978,806</b>

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 1. Incorporation and Principal Activities

First Rock Capital Holdings Limited (the company) is an International Business Company (IBC) duly incorporated under the laws of Saint Lucia on 4 October 2017. The company commenced operations on 15 March 2019 and is domiciled in Jamaica. The registered office of the company is located at Bourbon House, Bourbon Street, Castries, Saint Lucia. Its main operations are located at Suite 6, 14 Canberra Crescent, Kingston 6, Saint Andrew.

The main activities of the company are holding investments and controlling the operations of its subsidiaries. The company's core focus is real estate acquisition and development for rental or resale and the acquisition of, financial and private equity investments for income generation and asset appreciation. The company's primary aim is to provide its shareholders with a tax-efficient vehicle, offering an enhanced level of income, above average dividend yields and preservation of capital through the diversification of assets.

The company's subsidiaries, which, together with the company are referred to as "the Group" are as follows:

Subsidiaries	Principal Activities	Incorporated in	Proportion of Issued Capital held by the Group	Financial Year End
First Rock USA, LLC	Property Investment	USA	100%	31 December
First Rock Capital LATAM, Sociedad Anónima	Property Investment	Costa Rica	100%	31 December
First Rock Capital Cayman Limited	Property Investment	Cayman	100%	31 December
Dolla Financial Services Limited	Micro Financing	Jamaica	75%	31 December
FCH Jamaica Developers Limited	Property Investment	Jamaica	100%	31 December

Except for Dolla Financial Services Limited (Dolla) which was acquired in March 2020 (Note 31), the shareholdings for all subsidiaries are the same this year, as they were at the end of the previous financial reporting period

## 2. Significant Accounting Policies

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

### (a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial assets at fair value through profit or loss and assets held for sale which are measured at fair value. These financial statements have not been prepared for comparative periods, as the current year represents the results of operations and cash flows for a twelve month period, while that of the prior period represents the results of operations and cash flows for a twenty six month period.

In preparing these financial statements, management used certain critical accounting estimates. Management also exercised its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

Management believes the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### **Standards, interpretations and amendments to published standards effective in the current period**

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial period.

**Amendments to IFRS 3 – definition of a business**, This amendment revises the definition of a business. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

A significant change arising from the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This amendment did not impact the result of the assessment of acquisition made during the current year. However, it might be relevant for future acquisitions where the value of the acquired entity is concentrated in one property, or a group of similar properties

#### **Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors'**,

These amendments use a consistent definition of materiality throughout IFRSs and the *Conceptual Framework for Financial Reporting*, clarify the definition of material and incorporate guidance in IAS 1 about immaterial information. The amendment did not have a significant impact on the Group.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

#### **Standards, interpretations and amendments to published standards that are not yet effective and not early adopted**

At the date of authorisation of these financial statements, the Group has concluded that the following standards which are published but not yet effective, are relevant to its operations, but will have no material impact on adoption. These pronouncements are effective for annual periods beginning on or after the dates noted and will be applied by the Group as of those dates, unless otherwise noted.

**Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions**, (effective for the Group's financial year beginning on 1 January 2021). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees to treat qualifying rent concessions in the same way as they would if they were not lease modifications. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

**Amendments to IAS 1, Presentation of financial statements on classification of liabilities**, (effective for the Group's financial year beginning on 1 January 2023). These narrow-scope amendments to IAS 1, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

**A number of narrow-scope amendments to IFRS 3, IAS 16 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**, (effective for the Group's financial year beginning on 1 January 2022).

- **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the *Conceptual Framework for Financial Reporting* without changing the accounting requirements for business combinations. An exception was added for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 *Levies*. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

***Standards, interpretations and amendments to published standards that are not yet effective and not early adopted (continued)***

**A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**, (effective for the Group's financial year beginning on 1 January 2022) (continued).

- **Amendments to IAS 16, 'Property, plant and equipment'** prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.
- **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making. The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

**Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8**, (effective for the Group's financial year beginning on 1 January 2023). On 12 February 2021, the IASB ('the Board') issued amendments to the following standards:

- Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2; and
- Definition of Accounting Estimates, which amends IAS 8.

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

The IASB amended IAS 1, 'Presentation of Financial Statements', to require entities to disclose their material accounting policy information rather than their significant accounting policies. The amendment provides the definition of material accounting policy information. The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

To support this amendment, the Board also amended IFRS Practice Statement 2, '*Making Materiality Judgements*', to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendment to IAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

***Standards, interpretations and amendments to published standards that are not yet effective and not early adopted (continued)***

#### **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (continued)**

The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Group is currently assessing the impact of the amendments on its financial statements.

**Annual Improvements to IFRS Standards 2018–2020**, (effective for the Group's financial year beginning on 1 January 2022). The following improvements, applicable to the Group were finalised in May 2020:

- **IFRS 9 *Financial Instruments*** – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- **IFRS 16 *Leases*** – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The Group is currently assessing the impact of the amendments on its financial statements.

There are no other standards, interpretations and amendments to existing standards that are not yet effective that would be expected to have a material impact on the operations of the Group.

### (b) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases. Consolidated financial statements are prepared using uniform accounting policies for like transactions.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for business combinations by the Group (note 2(c)).

#### (ii) Non-controlling interests

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.



# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- fair value of liabilities incurred to the former owners of the acquired business;
- fair value of equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill.

If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase (negative goodwill).

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### (d) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses, the operating results of which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the First Rock Capital Resource Limited.

### (e) Revenue recognition

#### (i) Rental income

Revenue comprises the invoiced value of rental and maintenance charges. Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight line basis as a reduction in of rental income.

The Group assesses the individual elements of the lease agreements and assesses whether these individual elements are separate performance obligations.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (e) Revenue recognition (continued)

#### (i) Rental income (continued)

Where the contracts include multiple performance obligations, and/or lease and non-lease components, the transaction price is allocated to each performance obligation (lease and non-lease component) based on the stand-alone selling prices. These selling prices are predominantly fixed price per the agreements where the tenant pays the fixed amount based on a payment schedule.

Revenue is measured at the transaction price agreed under the contract. The Group currently does not have arrangements that include deferred payment terms. A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### (ii) Land development and resale

The Group develops and sells residential and commercial properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

#### (iii) Interest income

Interest income is recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between the parties that are an integral part of the effective interest rate transaction costs and other premiums or discounts.

Once a financial asset or a group of similar financial assets is credit-impaired, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### (iv) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL). Dividends are recognized in the statement of financial position when the right to receive payment is established.

#### (v) Fee and commission income - Fee and commission income are income recognised in profit or loss on the accrual basis when the service has been provided.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (e) Revenue recognition (continued)

#### (vi) Fee and commission income (continued)

Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

#### (vii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

### (f) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars, which is the company's functional currency. The company has determined that the US dollar is its functional currency as its strategy is to contract with multinational entities (mainly US based), at rates consistent with rates charged in the US and therefore considers the US economy to be the primary economy to which it is exposed and the economy that determines the pricing of its goods and services. The largest portion of the company's revenues, expenses and cash flows are denominated in United States dollars.

#### (ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in profit or loss.

#### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any internal lending forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (g) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value.

Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the company expects the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project/property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- past experience with similar construction; and
- status of construction permits.

Fair value is based on active market prices for comparable sales, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections or other cashflow models. These valuation models typically consider rental income from current leases and other assumptions (such as vacancy, delinquency, market yields and capitalisation factors) market participants would make when pricing the property under current market conditions.

Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property, and the fair value is reassessed.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised when they have been disposed of. Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss within net gain/(loss) from fair value adjustment on investment property.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (g) Investment property (continued)

If an investment property becomes owner occupied, it is reclassified as property, plant and equipment. Its fair value as at the date of reclassification becomes its cost for subsequent accounting purposes. Where an investment property undergoes a change in use, such as commencement of development with a view to sell, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

### (h) Investments and other financial assets and liabilities

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

#### Financial assets

##### (i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVPL); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at FVPL, gains and losses will be recorded in profit or loss. For investments in equity instruments that are not held for trading, IFRS allows an irrevocable election at the time of recognition, to classify as either FVPL or fair value through other comprehensive income (FVOCI) the Group makes an irrevocable election at the time of initial recognition to account for them at FVPL. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### Business model assessment

Business models are determined at the level which best reflects how the Group manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Group intends to generate profits from holding a portfolio of assets; and
- The historical and future expectations of asset sales within a portfolio.

##### Solely payments of principle and interest ("SPPI")

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

##### Recognition and derecognition

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Group becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (h) Investments and other financial assets and liabilities (continued)

#### Financial assets (continued)

##### (i) Classification (continued)

###### Recognition and derecognition (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

###### Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

###### *Financial assets measured at amortized cost*

The Group classifies its bank and deposit accounts, debt instruments, loan receivables and trade receivables at amortised cost. These are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) and are measured at amortised cost. Interest income from these financial assets is recognised in profit or loss as part of interest income from financial assets at amortised cost, using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

###### *Financial assets measured at fair value through profit and loss*

Financial instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch; and
- when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The Group subsequently measures all equity investments at fair value. These fair value gains and losses are recognised in net change in fair value of financial instruments at fair value through profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss. Dividends from such investments continue to be recognised in profit or loss as dividend income when the Group's right to receive payments is established.

##### (iii) Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments and loans receivable carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk (SICR). For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The ECL in relation to trade receivables is immaterial.



# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (h) Investments and other financial assets and liabilities (continued)

#### (iii) Impairment (continued)

At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECLs resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

#### Significant increase in credit risk

On initial recognition, the Group assesses the credit risk associated with each exposure as discussed in Note 28(b).

To determine whether the life-time credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment, or a change in the borrower's employment arrangements, payment method, industry or personal conditions are considered in determining whether there has been a significant increase in the credit risk of the borrower.

For the Group's debt instruments, a significant increase in credit risk (SICR) is where the prevailing risk that the issuer of an investment instrument will default is materially greater than the risk at the origination date of the investment instrument.

An investment is deemed to have experienced a significant increase in credit risk under the following circumstances:

- When the credit rating of the instrument has slipped four or more levels on the international/internal credit rating scale since the rating at origination date. Notwithstanding the slippage, the instrument is deemed not to have experienced a SICR where the credit rating remains within the investment grade of Baa3 or higher.
- The issuer of the instrument is experiencing or is very likely to experience one or more adversities including but not limited to the following:
  - i. Filing for bankruptcy
  - ii. Loss of major asset
  - iii. Major decline in industry
  - iv. Depressed Debt Restructuring
  - v. Unsustainable Debt Burden
  - vi. Adverse Legal or Political Events
  - vii. Other Major Adversities

For the Group's loans receivable, SICR is determined by observing the extent to which adverse changes in one or more of the credit risk drivers could increase the likelihood of default since the origin of the loan. A change in the borrower's employment arrangements, payment method, industry or personal conditions could be deemed significant enough to trigger a forward migration of loans to Stage 2.

#### *Default*

Debt investments and other instruments are in default where the issuer of the instrument has failed to honour part or all of the obligation under the investment agreement. Issuers that are assigned a credit rating of C or Level 21 are deemed to be in a state of default.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (h) Investments and other financial assets and liabilities (continued)

#### (iii) Impairment (continued)

The Group determines that loans are credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether: contractual payments of either principal or interest are past due for 90 days or more; there are other indications that the borrower is impaired, and the maturity date has passed. If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

#### (iv) The general approach to recognising and measuring ECL

##### Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience, but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivity analyses are considered in relation factors to which the ECLs are particularly sensitive and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An ECL estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of ECLs for each stage and the assessment of SICR must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

# Notes to the Consolidated Financial Statements

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(expressed in United States dollars unless otherwise indicated)

## 2. Significant Accounting Policies (Continued)

### (h) Investments and other financial assets and liabilities (continued)

#### (iv) The general approach to recognising and measuring ECL (continued)

For defaulted financial assets, based on management's assessment of the borrower, a specific provision for ECLs which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

#### Forward looking information

The estimation and application of forward-looking information require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the ECL calculation has forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, interest rate and inflation, subsequently reverting to long-run averages. The estimation of ECLs in Stage 1 and Stage 2 are a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario are based on macroeconomic forecasts where available. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios that occur on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to management's best estimate of the relative likelihood based on historical frequency and current trends and conditions. The weightings assigned to each economic scenario as at December 31, 2019 and December 31, 2020 were as follows:

	Base	Upside	Downside
<b>31 December 2019:</b>			
Investments portfolios	80%	10%	10%
<b>31 December 2020:</b>			
Investments portfolios	50%	20%	30%
Lending portfolios	50%	20%	30%

Financial assets measured at amortized cost recognize impairment gains and losses in profit or loss in the statement of comprehensive income. Interest income, dividend income and gains and losses arising from changes in fair value are included on the face of the consolidated statement of changes in income.

Debt investments and other instruments are considered to be in low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The impairment charge for debt investments was assessed and is recorded in profit or loss.

#### (v) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (h) Investments and other financial assets and liabilities (continued)

- (vi) Interest income and interest earned on assets measured at fair value through profit and loss is earned based on the effective interest rate based on the carrying amount before allowances. For assets that are credit-impaired when purchased or originated (purchased or originated credit impaired (POCI)), the carrying amount after allowances for ECL is the basis for applying the effective interest rate

#### Financial liabilities

The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Group opted to measure a liability at FVPL.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are initially recognized initially at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

#### Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Group will assess if the asset is POCI.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 2. Significant Accounting Policies (Continued)

### (i) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Certain Group companies obtain deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 24 months. The Group has elected to treat such deposits as financial liabilities in accordance with IFRS 9, and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to note 2(e)) for the recognition of rental income). The deposit is subsequently measured at amortised cost.

### (j) Cash and cash equivalents

Cash and cash equivalents include cash at bank and investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortized cost which is assumed to approximate fair value due to the short-term nature of these items. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise investment securities with less than 90 days maturity from the date of acquisition, cash balances, short term deposits and securities purchased under agreements to resell. Cash and cash equivalents exclude all qualifying balances aforementioned, that are hypothecated or otherwise restricted, consequent on loan or other similar arrangements.

### (k) Property, plant and equipment

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

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

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

Billboards	8% - 10%
Leasehold improvements	25%- 33 1/3%
Furniture, fixtures & equipment	10%
Computer equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the statement of comprehensive income.



# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (l) Intangible assets

#### (i) Trademarks and customer contracts

Separately acquired trademarks and customer contracts are shown at historical cost. Trademarks and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation and impairment losses for those with finite lives.

#### (ii) Software

Costs that are directly associated with acquiring software licences, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These assets are stated at cost less accumulated amortisation and impairment losses, if any. The assets are amortised commencing on the date that they are put into use, using the straight-line method over their expected useful lives, not exceeding a period of four years. Costs associated with maintaining computer software programs are recognised as an expense, as incurred.

The group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Trademarks and licences	7 years
IT development and software	3-4 years
Customer relationships	1-7 years

### (m) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs include legal fees, fees for arrangers, brokers, agents and investor events relating to the initial public offering.

### (n) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

### (o) Management fees

A management fee of two per cent (2%) of the net asset value of the Group based on the Group's audited financials will be paid quarterly to the Group's management company First Rock Capital Resource Limited.

The fee is to be paid in arrears, based on the quarterly unaudited financial statements of the Group, subject to the 'claw-back' provision.

Both the management fees and the performance-based dividend (Note 2(p)), are subject to a 'clawback' by the Group if the audited annual financial results of the Group demonstrate a negative variance from the quarterly unaudited accounts used to determine the payment of fees/dividends. The claw-back provision requires a re-payment from First Rock Capital Resource Limited and, if such re-payment is not made, the Group shall have a right of set – off of such surplus amount against any future cumulative annual preference dividend that may be payable to First Rock Capital Resource Limited. If the audited annual financial results demonstrate a positive variance from the quarterly unaudited accounts, such additional amount will be paid to the management company (with no interest) so that it is made whole based on the audited results.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (p) Performance based fees

A performance based cumulative annual dividend calculated as twenty-five per cent (25%) of the audited annual total comprehensive income of the Group in excess of eight per cent (8%) (the 'hurdle' rate) of the Group's total equity. Dividends are to be paid quarterly in arrears, based on the quarterly unaudited financial statements of the company, subject to the 'claw-back' provisions.

### (q) Operating expenses

Expenses include legal, marketing, professional and other fees. They are recognised in profit or loss in the period in which they are incurred on an accrual basis.

### (r) Interest expense

Interest expense is recognised in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

### (s) Borrowings

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

### (t) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

The Group capitalises borrowing costs on qualifying developments in progress.

### (u) Leases

The Group leases various office spaces. The group acting as lessee, recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (u) Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third-party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right of use assets are not revalued.

# Notes to the Consolidated Financial Statements

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(expressed in United States dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (u) Leases (continued)

Group as a lessor

In certain circumstances, the Group might agree to forgive some amount of payments contractually due for past rent, without changing the scope of the lease or other terms (for example, if a lessee is in financial difficulty). In such cases, the Group has elected to treat the reduction in payments due for past rent as a partial extinguishment of the lease receivable. The amounts forgiven are recognised as a loss (that is, not a reduction in lease income) in the income statement, with a corresponding reduction to the lease receivable in the period in which the reduction is contractually agreed.

### (v) Income taxes and deferred taxes

Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity - in which case, the tax is also recognised in other comprehensive income or equity.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (w) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

# Notes to the Consolidated Financial Statements

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(expressed in United States dollars unless otherwise indicated)

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### 3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

#### (a) Functional currency

The determination of the company's and its subsidiaries' functional currency is based on management's assessment of the primary economic environments to which the company and the subsidiaries are exposed. According to IAS 21, The Effects of Changes in Foreign Exchange Rates ("IAS 21"), an entity's functional currency should reflect the underlying transactions, events and conditions that are relevant to the entity. Management considered primary and secondary indicators in determining functional currency including the currency that influences sales and expenses prices and rates. Although the company carries out the bulk of its activities in Jamaica, its revenue strategy is to target expatriates, US affiliated companies and US tourists, and therefore transact in US dollars at rates that are consistent with rates charged in the United States. The company has also raised financing primarily in US Dollars. From an expense perspective, the indicators are mixed as services are in some instances provided by Jamaican companies, charging Jamaican rates. Based on these factors, management concluded that parent company's functional currency should be measured using United States dollars ("USD").

#### (b) Investment properties

The fair value of investment properties is determined by independent valuers. The valuers determine fair value by using recent comparable sales or cash flow models. For comparable sales, adjustments are made for the time of the referenced sale, size, location, condition etc. These adjustments involve significant judgement, which could result in actual values being different from those realised from either sale, or the present value of rental income received from the lease of these properties.

For the cash flow models, a direct capitalisation approach is used. This approach involves determining a net rental amount, a capitalisation factor (representing a market participant rate of return) and estimating factors for vacancy and delinquency. The fair values derived may be very sensitive to these variables, in particular, the capitalisation factor. As with the sales comparison approach, values realised through sale or use may differ from the values estimated and recognised in the financial statements.

In assessing the valuation reports, management and its valuers have exercised judgement and have assessed the impact of the COVID-19 pandemic on the values for comparable sales and the relevant adjustments, as well as the various inputs into the direct capitalisation model. As the Group is diversified geographically, the impact has not been consistent. Where required, adjustments have been made.

At the year-end, for certain land held by the Group slated for development, a determination had not been made as to whether the development would be for resale or rental opportunities. Management has therefore determined that land may be treated in its entirety as an investment property as land with undetermined use is accounted for as investment property in accordance with IAS 40. The treatment of the land as investment property resulted in the recognition of revaluation gains (Note 13). At the time of determination that any of the units being developed is held for resale, the units to be sold will become inventory and accounted for in accordance with IAS 2, "Inventory". At that point, no further revaluation gains will be recorded.

# Notes to the Consolidated Financial Statements

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(expressed in United States dollars unless otherwise indicated)

## 3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

### (c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

In recognising deferred taxation in relation to certain items of investment property, the Group has assumed that there will be no capital gains tax on rental properties held for successive long-term rental periods. It however assumes that for items which are currently investment property that will be developed for resale, and will eventually become inventory, the revaluation gains previously recognised will be subject to taxation at the time of sale. For investment property being developed, management recognises a deferred tax charge on the basis of a ratio of units to be sold, to the total number of units being developed. Any change in management's intention from rental to sale, would result in a recognition of an additional deferred tax liability.

### (d) Measurement of the ECL

The measurement of the ECL for financial assets measured at amortised cost requires the use of models and significant assumptions about future economic conditions and credit behaviour such as the likelihood of customers defaulting and the resulting losses.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing appropriateness of forward-looking information.

#### Internal Credit Rating

Management has utilised an internal rating for their investments. The internal rating is assessed as follows:

- The most recent country's credit rating obtained from an approved external credit rating agency is taken as the Base Credit Rating (BCR);
- The credit rating for the relevant entity is the sum of the BCR and the Credit Rating Adjustment Factor (CRAF);
- The CRAF is calculated as the aggregate of the factors such as the size of the institution, significance to national interest, financial diversification and financial outlook; and
- An entity is assigned an adverse factor where enough information is not available to assign a favourable score within the relevant categories.

These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor and Moody's.

### (e) Intangible assets

Intangible assets were acquired as part of a business combination as at 31 March 2020 (see Note 31 for details). They are recognised at their fair value at the date of acquisition. The fair valuation was determined using discounted cash flow projections based on significant unobservable inputs. These inputs include:

- The remaining economic lives of the cash flows used for each of the intangible assets valued using the income approach;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows; and

Attrition Rate – of the existing customer base based on industry trends.



# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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### 3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

#### (f) Assets held for sale

Subsequent to the end of the financial year, the Group disposed of its holdings in Dolla Financial Services. Management has determined that its shareholding in Dolla did not qualify as an asset held for sale in accordance with IFRS 5, as at the end the financial year not all the relevant criteria for such a classification had been met, namely, the active marketing of the shares at a reasonable price. Additionally, the resolution to sell the shares was not approved until January 2021.

### 4. Segment Reporting

Operating segments are reported in accordance with the information analysed by the (the chief operating decision-maker) of the Group, which is responsible for allocating resources to the reportable segments and assesses its performance.

The Group has identified two reportable segments of its business:

- (a) Real estate and financial investments; and
- (b) Micro-financing - includes issuing loans to customers

The amounts provided to the Board in respect of total assets and total liabilities are measured in a manner consistent with that of the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment. As all assets and liabilities have been allocated to the operating (reportable) segments, reconciliations of reportable segments' assets to total assets, and of reportable segments' liabilities to total liabilities, are not presented.

For the prior year the Group identified one reportable segment – real estate and financial investments.

The tables below show results and net assets by segment and geographical location.

# Notes to the Consolidated Financial Statements

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(expressed in United States dollars unless otherwise indicated)

## 4. Segment Reporting

	2020			Total \$
	Real Estate and financial investments \$	Micro-financing \$	Eliminations \$	
Rental income				
- Residential property	134,022	-	-	134,022
- Commercial property	297,150	-	-	297,150
Fair Value gains on investment property	4,942,123	-	-	4,942,123
	5,373,295	-	-	5,373,295
Interest income				
- Financial instruments	780,465	-	(60,310)	720,155
- Loans	-	667,471	(42,740)	624,731
Dividend Income	324,503	-	(299,374)	25,129
Other finance income/(expense)	(297,596)	(80,301)	-	(377,897)
Fee and commission income	-	130,004	-	130,004
Financial related income	807,372	717,174	(402,424)	1,122,122
Other income	245,650	-	-	245,650
Operating income	6,426,317	717,174	(402,424)	6,741,067
Interest expense and credit losses	(743,441)	(228,905)	230,265	(742,081)
Expenses	(2,956,069)	(373,110)	-	(3,329,179)
Operating profit/(loss)	2,726,807	115,159	(172,159)	2,669,807
Taxation	(58,426)	(6,744)	-	(65,170)
Net profit/(loss)	2,668,381	108,415	(172,159)	2,604,637
<b>Total assets</b>	<b>39,497,360</b>	<b>2,331,933</b>	<b>(5,938,165)</b>	<b>35,891,128</b>
<b>Total liabilities</b>	<b>8,378,097</b>	<b>2,307,720</b>	<b>(4,603,884)</b>	<b>6,081,933</b>

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 4. Segment Reporting (Continued)

	2020					Total \$
	Jamaica \$	Costa Rica \$	USA \$	Cayman \$	Eliminations \$	
Rental income						
- Residential property	25,353	45,774	62,895	-	-	134,022
- Commercial property	218,207	78,943	-	-	-	297,150
	243,560	124,717	62,895	-	-	431,172
Depreciation and amortisation	76,437	42,497	1,236	-	-	120,170
Interest expense	208,079	51,211	11,194	-	(230,265)	40,219
Gain/(losses) on revaluation of investment property	4,449,391	539,982	(47,250)	-	-	4,942,123
Expected credit losses	(701,862)	-	-	-	-	(701,862)
Operating profit/(loss)	2,289,797	667,471	(79,468)	(15,880)	(192,113)	2,669,807
Taxation	(48,781)	(16,389)	-	-	-	(65,170)
Net profit/(loss)	2,241,016	651,082	(79,468)	(15,880)	(192,113)	2,604,637
<b>Total assets</b>	38,181,305	2,193,302	884,977	569,709	(5,938,165)	35,891,128
<b>Total liabilities</b>	9,603,308	2,307,720	(601,798)	(623,413)	(4,603,884)	6,081,933
Investment property	16,437,654	2,260,508	862,750	-	-	19,560,912
Intangible assets	341,395	-	-	-	-	341,395
Assets held for sale	330,000	-	430,000	-	-	760,000
Property, plant & equipment purchases	139,284	-	-	-	-	139,284

# Notes to the Consolidated Financial Statements

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(expressed in United States dollars unless otherwise indicated)

## 5. Rental Income

	2020	2019
	\$	\$
Commercial property	297,150	51,851
Residential property	134,022	28,344
	<u>431,172</u>	<u>80,195</u>

The Company is domiciled in St. Lucia but does not generate revenue there. The Group's revenue is primarily generated from property assets, which are held by Group companies domiciled in the same country as the relevant asset is located.

Revenues are derived from a large number of tenants and no single tenant or group under common control contributes more than 10% of the Group's revenues. One tenant, located in Jamaica, accounts for more than 10% of the Group's rental income.

There are no contract asset or contract liabilities in relation to the lease contracts.

Variable rents recognized as income were \$83,155 in 2020 (2019: \$42,253).

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2020	2019
	\$	\$
No later than 1 year	284,420	284,420
Later than 1 year and no later than 2 years	271,704	284,420
Later than 2 years and no later than 3 years	233,554	271,704
Later than 3 years and no later than 4 years	214,091	233,554
Later than 4 years and no later than 5 years	-	214,091
	<u>-</u>	<u>214,091</u>

## 6. Net Interest Income and Dividend Income

	2020	2019
	\$	\$
<b>Interest income</b>		
Interest income from financial assets at amortised cost	720,669	322,001
Interest income from loans	624,217	-
	<u>1,344,886</u>	<u>322,001</u>
Income from financial assets at FVPL		
Dividend income	25,129	-
	<u>1,370,015</u>	<u>322,001</u>
<b>Interest expense</b>		
Financial liabilities at amortised cost	(40,219)	-
	<u>(40,219)</u>	<u>-</u>
<b>Net interest income</b>	<u>1,329,796</u>	<u>322,001</u>

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 7. Net Fee and Commission Income

	2020	2019
	\$	\$
<b>Fee and commission income</b>		
Late and other fees	161,244	-
<b>Fee and commission expense</b>		
Loan processing fees	(16,309)	-
Debt collection	(14,931)	-
	<u>130,004</u>	<u>-</u>

## 8. Other Income

	2020	2019
	\$	\$
Gain on disposal of property, plant & equipment	<u>20,132</u>	<u>-</u>

## 9. Expenses by Nature

	2020	2019
	\$	\$
<i>Other operating expenses:</i>		
Advertising and marketing	243,371	275,425
Auditors' remuneration	85,860	22,000
Bank charges	17,624	5,272
Business development and meeting expenses	113,545	5,686
Direct property operating expenses (Note 13)	163,330	150,493
Directors' fees and travel	93,656	54,265
Donations and subscriptions	146,675	7,227
Insurance	69,526	-
Legal fees	233,013	97,964
Office expenses	49,731	18,769
Other	17,513	8,402
Management fees	622,652	121,765
Professional fees	373,525	52,503
Rates and taxes	24,339	95,778
Registrar and regulatory fees	42,970	13,433
Repairs and maintenance costs	1,118	-
Seminars	45,898	-
Software expenses	72,027	40,159
Staff costs (Note 11)	451,827	-
Travel and subsistence	66,489	99,548
Utilities	18,608	-
	<u>2,953,297</u>	<u>1,068,689</u>
Depreciation and amortisation expense	120,170	1,434
Performance based fee	255,712	262,662
	<u>3,329,179</u>	<u>1,332,785</u>

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 10. Expected Credit Losses

	2020	2019
	\$	\$
Investments at amortised cost	556,174	34,979
Loans at amortised cost	145,688	-
	<u>701,862</u>	<u>34,979</u>

## 11. Staff Costs

	2020	2019
	\$	\$
Salaries	407,132	-
Statutory payroll contributions	37,778	-
Other	6,917	-
	<u>451,827</u>	<u>-</u>

Staff costs relate to the remuneration paid to employees of Dolla Financial Services Limited. The remaining subsidiaries utilise employees of First Rock Capital Resource Limited through their management agreement to carry out their operations.

## 12. Taxation

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

In recognising deferred taxation in relation to certain items of investment property, the Group has assumed that there will be no capital gains tax on rental properties held for successive long term rental periods. It however assumes, that for items which are currently investment property that will be developed for resale, and will eventually become inventory, the revaluation gains previously recognised will be subject to taxation at the time of sale. For investment property being developed, management recognises a deferred tax charge on the basis of a ratio of units to be sold, to the total number of units being developed. Any change in management's intention from rental to sale, would result in a recognition of an additional deferred tax liability.

### The Group

The tax liability presented represents the liability for First Rock Capital LATAM, Sociedad Anónima and Dolla Financial Services Limited. There were no tax expenses incurred by the other subsidiaries as they do not have taxable income for the period. A deferred tax asset was recognised for the Company in relation to carried forward losses, to the extent that management believes that taxable profits will be available against which the deferred tax assets can be utilised.

### The Company

The Company has elected to pay income tax of one per cent (1%) in Saint Lucia. Pursuant to the provisions of Article 11 of the CARICOM Double Taxation Treaty, dividends/distributions paid to Shareholders who are residents of CARICOM Member States should be subject to withholding tax in Saint Lucia, at a rate of one per cent (1%), with no further taxation in the shareholder's country of residence.



# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 12. Taxation (Continued)

### First Rock Capital LATAM, Sociedad Anónima

This subsidiary is registered under the “Income from Real Estate” regime, rather than the ordinary regime. Under the “Income from Real Estate” regime, tax is charged at a fixed rate of 12.75% of the gross rental income received, instead of a corporation tax of 30% payable on taxable income under the ordinary tax regime.

### Dolla Financial Services Limited

Income tax is calculated at rates of 25%. Subject to agreement with the Commissioner, Tax Administration Jamaica, the subsidiary has tax losses of approximately US\$62,513 (J\$8,905,135) available for set-off against future profits. As at the reporting date, tax losses may be carried forward indefinitely, however, the maximum amount that can be utilized in any one year is restricted to 50% of the taxable profit for that year.

A deferred tax asset of \$31,320 has not been recognised in respect of tax losses being carried forward as management has not established, with sufficient reliability, the expected utilisation of this amount of tax losses within the foreseeable future.

#### (a) Composition of tax charge

The taxation charge for the year is comprised of:

	2020	2019
	\$	\$
Current tax	16,389	4,818
Deferred tax	59,597	(6,563)
	<u>75,986</u>	<u>(1,745)</u>
Prior year over accrual adjustment (Dolla)	(10,816)	-
	<u>65,170</u>	<u>(1,745)</u>

#### (b) Reconciliation of applicable tax charges to effective tax charge:

	2020	2019
	\$	\$
<i>The Company:</i>		
<i>St. Lucia tax considerations:</i>		
Profit before tax	2,999,921	632,900
Tax at 1%	29,999	6,329
Adjusted for the effects of:		
Expenses not allowable for tax purposes	11,614	3,337
Income not subject to tax	(54,123)	(16,362)
Other	6,937	133
	<u>(5,573)</u>	<u>(6,563)</u>

First Rock Capital Holdings Limited

# Notes to the Consolidated Financial Statements

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## 12. Taxation (Continued)

<i>Jamaica tax considerations:</i>		
Profit before tax	2,999,921	-
Tax at 25%	749,980	-
Adjusted for the effects of:		-
Expenses not allowable for tax purposes	139,364	-
Income not subject to tax	(791,074)	-
Variation in tax rate on dividend income	(20,171)	-
Other	(36,062)	-
	<u>42,037</u>	
<i>First Rock Capital LATAM, Sociedad Anónima:</i>		
Rental income	128,545	37,789
Tax at 12.75%	<u>16,389</u>	<u>4,818</u>
<i>Dolla Financial Services Limited:</i>		
Loss before tax	(196,541)	-
Tax at 25%	(49,135)	-
Adjusted for the effects of:		-
Expenses not allowable for tax purposes	53,962	-
Employment and corporate tax credits	(12,173)	-
Prior year over accrual adjustment (Dolla)	(10,816)	-
Deferred tax asset on tax losses not recognized	31,320	-
Other	(841)	-
	<u>12,317</u>	<u>-</u>
	<u>65,170</u>	<u>(1,745)</u>

## 13. Investment Properties

	2020	2019
	\$	\$
The Group holds three classes of investment property:		
Land	13,514,804	3,100,000
Commercial property	4,563,420	4,087,732
Residential property	1,482,688	2,493,882
	<u>19,560,912</u>	<u>9,681,614</u>

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 13. Investment Properties (Continued)

	Land	Commercial Property	Residential Property	2020 \$	2019 \$
At 1 January	3,100,000	4,087,732	2,493,882	9,681,614	-
Additions:					
Acquisitions	5,000,000	-	-	5,000,000	8,442,407
Development in progress	1,014,804	-	-	1,014,804	-
Disposals	-	-	(310,000)	(310,000)	-
Reclassified to held for sale	-	-	(760,000)	(760,000)	-
	9,114,804	4,087,732	1,423,882	14,626,418	8,422,407
Net gain from fair value adjustment	4,400,000	483,608	58,515	4,942,123	1,259,207
Foreign exchange adjustment	-	(7,920)	291	(7,629)	-
Fair value as at 31 December 2020	<u>13,514,804</u>	<u>4,563,420</u>	<u>1,482,688</u>	<u>19,560,912</u>	<u>9,681,614</u>

(i) Borrowing costs of \$190,000 were capitalised as investment property. The borrowing costs are interest costs in relation to the Sagicor loan facility used to acquire the Bamboo Avenue property in Jamaica (see Note 23).

(ii) For property reclassified to held for sale, see Note 35.

Amounts recognised in income statement for investment properties

	2020 \$	2019 \$
Rental income	431,172	80,195
Direct costs (Note 9)	(163,330)	(150,493)
Fair value gains recognised in income	<u>4,942,123</u>	<u>1,259,207</u>
	<u>5,209,965</u>	<u>1,188,909</u>

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 13. Investment Properties (Continued)

All properties were valued at current market value as at 31 December by independent qualified property appraisers and valuers.

Category	Valuation technique	Observable inputs	Unobservable inputs	Capitalisation factor (%)	Impact lower (Sales price per square foot +/- 10%)	Impact higher	Sensitivities in discount and cap rate
Land	Sales Comparison	Sales prices/per acre, comparable address	Appreciation for time and sale of demand for comparables	NA	(\$1,250,000)	\$1,250,000	-
Commercial property	Income Approach	Rental rate, property expenses	Capitalisation rate	6% - 10%	-	-	-0.5% - \$420,616 +0.5% - (\$358,621)
Residential property	Sales Comparison	Sales prices per square foot, listings	Area, negotiation, access, location, topography and view	-	\$11,372	\$11,372	-

For a land acquisition done during 2020, the Group has recognised an increase in value of approximately USD\$3,500,000 or 70% since acquisition. Management considers the transaction to have represented a bargain purchase, with the price per acre paid for the property being USD\$1,457,000 compared to sales of comparable properties for between 2019 and 2020 ranging between USD\$1,900,000 and USD\$3,100,000.

The fair values of the investment property are at level 3 in the fair value hierarchy, as certain of the inputs into the valuation process are deemed to be unobservable, as above.

Properties were valued at current market value as at 31 December by the following independent qualified property appraisers and valuers.:

- A.S James & Associates Limited (Jamaican properties).
- NAI Jamaica Langford and Brown (Jamaican properties).
- Constructora Costarricense S.A (Costa Rican properties).
- Dade Real Estate Services, Corp. (United States properties).

### Leasing arrangements

Commercial and residential properties are leased to tenants under operating leases with rentals payable monthly. Lease payments do not include variable lease payments that depend on an index or rate.

### Pledged as collateral for loans

Investment property has been pledged as collateral for loans as detailed in Note 23.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 14. Property Acquisition Deposits

	2020	2019
	\$	\$
Medinah 21	1,036,484	734,512
Shoppes at Rosehall	-	25,069
The Grove	562,040	562,040
	<u>1,598,524</u>	<u>1,321,621</u>

- (a) Medinah 21 – Medinah 21 is a 1.72-acre parcel of land, currently being developed as a mixed residential apartment and townhouse community, situated at 21 Salisbury Avenue, Kingston 6, Saint Andrew. Construction is underway and is expected to be completed by the second quarter of 2021. The Group is under contract to acquire five units.
- (b) The Grove - The Grove is a mixed-use development located along the seven-mile beach corridor in Grand Cayman. The Group is under contract to acquire five of the apartments. Construction was completed in the first quarter of 2021 and the Group took possession of the five units. The units will be retained, managed and marketed to international visitors and expatriates for short-term rentals and long-term rentals.

## 15. Intangible Assets

	Software	Trademark and Customer Relationships	Total
	\$	\$	\$
Cost -			
On acquisition of subsidiary (Note 31)	1,493	399,025	400,518
Foreign exchange adjustment	(74)	(19,959)	(20,033)
As at 31 December 2020	<u>1,419</u>	<u>379,066</u>	<u>380,485</u>
Amortization -			
Charge for the year	(546)	(38,544)	(39,090)
As at 31 December 2019	<u>(546)</u>	<u>(38,544)</u>	<u>(39,090)</u>
Net Book Value -			
As at 31 December 2020	<u>873</u>	<u>340,522</u>	<u>341,395</u>
As at 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>

- (i) Computer software  
These intangible assets have finite useful lives and are amortised over five years. The amortisation of intangible assets is included in expenses in the income statement (Note 9).
- (ii) Customer relationships  
This represents a trademark and customer base acquired as part of the Dolla acquisition on 31 March 2020. Both have been determined to have a finite useful life and are amortised over 7 years. The associated amortisation costs of \$38,544,000 is included in expenses in the income statement.

First Rock Capital Holdings Limited

# Notes to the Consolidated Financial Statements

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## 16. Property, Plant and Equipment

	Furniture, Fixtures & Fittings \$	Billboards \$	Computer Equipment \$	Leasehold improvements \$	Work-in- Progress \$	Right- of-use Asset \$	Total \$
Cost -							
As at 7 October 2017	-	-	-	-	-	-	-
Additions	45,985	4,190	-	1,500	-	-	51,675
31 December 2019	45,985	4,190	-	1,500	-	-	51,675
On acquisition of subsidiary (Note 31)	19,985	-	6,944	12,070	3,327	78,620	120,946
Foreign currency translation	(715)	(498)	2,937	-	-	11,986	13,710
Additions	1,201	-	3,702	6,199	-	120,290	131,392
Disposals	(11,364)	-	-	-	-	-	(11,364)
As at 31 December 2020	55,092	3,692	13,583	19,769	3,327	210,896	306,359
Accumulated Depreciation -							
As at 7 October 2017	-	-	-	-	-	-	-
Charge for the year	(910)	(524)	-	-	-	-	(1,434)
As at 31 December 2019	(910)	(524)	-	-	-	-	(1,434)
Charge for the year	(7,020)	(496)	(3,223)	(7,303)	-	(63,584)	(81,626)
Relieved on disposal	1,608	-	-	-	-	-	1,608
As at 31 December 2020	(6,322)	(1,020)	(3,223)	(7,303)	-	(63,584)	(81,452)
Net Book Value -							
As at 31 December 2020	48,770	2,672	10,360	12,466	3,327	147,312	224,907
As at 31 December 2019	45,075	3,666	-	1,500	-	-	50,241

The Group's right of use assets are buildings used in the operations of a subsidiary.

## 17. Loans, Net of Provision for Credit Losses

	2020 \$	2019 \$
Gross loans and advances	2,138,413	-
Loan interest and other receivable	82,017	-
	2,220,430	-
Less: ECL	(154,779)	-
	2,065,651	-
Less: current portion	(1,852,233)	-
	213,418	-



# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 17. Loans, Net of Provision for Credit Losses (Continued)

The movement in the provision for credit losses determined under the requirements of IFRS is:

	2020	2019
	\$	\$
Balance at beginning of year	-	-
Arising on acquisition	98,809	-
Recognised in profit or loss	63,985	-
Currency revaluation adjustment	(8,015)	-
Balance at end of year	<u>154,779</u>	<u>-</u>

The aggregate amount of non-performing loans for Dolla on which interest was not being accrued amounted to \$234,000.

## 18. Investments

The Group holds the following investments:

	Note	2020	2019
		\$	\$
Investments at amortised cost:			
<i>Non-Current:</i>			
Corporate bonds, repurchase agreements and CDs	18(a)	1,287,196	2,674,327
Promissory notes	18(b)	1,641,833	747,536
		<u>2,929,029</u>	<u>3,421,863</u>
<i>Current:</i>			
Corporate bonds, repurchase agreements and CDs	18 (a)	4,783,930	-
Promissory notes	18(b)	232,118	540,860
Total financial assets at amortised cost		<u>5,016,048</u>	<u>540,860</u>
Financial assets at fair value through profit or loss:			
Quoted equities	18(a)	1,259,258	54,976
Total financial assets at fair value through profit or loss		<u>1,259,258</u>	<u>54,976</u>

### (a) Bonds, repurchase agreements, CDs and equity

	2020	2019
	\$	\$
Financial assets measured at amortised cost:		
Corporate bonds, repurchase agreements and CDs	6,411,671	2,634,824
Interest receivable	234,791	61,704
	<u>6,646,462</u>	<u>2,696,528</u>
Less: ECL	(575,336)	(22,201)
	<u>6,071,126</u>	<u>2,674,327</u>
Financial assets measured at fair value through profit and loss:		
Quoted equities	1,259,258	54,976
	<u>7,330,384</u>	<u>2,729,303</u>

# Notes to the Consolidated Financial Statements

31 December 2020

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## 18. Investments (Continued)

### (b) Promissory notes

	2020 \$	2019 \$
First Rock Capital Resource Limited (i)	1,221,076	823,077
Medical Associates Limited (ii)	417,540	448,620
Nationwide News Network (iii)	139,180	-
Interest receivable	113,307	29,477
	<u>1,891,103</u>	<u>1,301,174</u>
Less ECL:	<u>(17,152)</u>	<u>(12,778)</u>
	<u><u>1,873,951</u></u>	<u><u>1,288,396</u></u>

- (i) This represents the balances outstanding on loans to First Rock Capital Resource Limited with nominal amounts totalling approximately US\$1,312,606 at an interest rate of 8%. The maturity dates of these loans range from July 2021 – April 2050.
- (ii) This represents the balance outstanding on a loan of JMD\$60,000,000 at an interest rate of 12% per annum (2019 – 11%). The loan is payable in full in October 2023.
- (iii) This represents the balance outstanding on a loan of JMD\$20,000,000 at an interest rate of 13% per annum. The loan is payable in full in May 2023.

# Notes to the Consolidated Financial Statements

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## 19. Related Party Transactions

(a) The statements of financial position include the following balances with related parties and companies:

	2020 \$	2019 \$
Amounts due from related parties:		
First Rock Capital Resource Limited (Management company)	74,569	831
	<u>74,569</u>	<u>831</u>
Promissory notes:		
First Rock Capital Resource Limited	1,314,999	839,776
Medical Associates Ltd. (Company with common directorship)	420,399	448,620
Nationwide News Network (Company with common directorship)	138,553	-
	<u>1,873,951</u>	<u>1,288,396</u>
Amounts due to related parties:		
First Rock Capital Resource Limited	(380,970)	(122,329)
	<u>(380,970)</u>	<u>(122,329)</u>
	<u>1,567,550</u>	<u>1,166,898</u>
Related party transactions:		
Interest Income:		
First Rock Capital Resource Limited	154,165	29,477
Medical Associates Limited	9,657	10,948
Nationwide News Network Ltd.	12,180	-
	<u>176,002</u>	<u>40,425</u>
<i>Expenses:</i>		
First Rock Capital Resource Limited:		
Performance based fee	255,712	121,765
Management fees	622,652	262,662
	<u>878,364</u>	<u>384,427</u>

(b) Key management compensation

	2020 \$	2019 \$
Salaries and travelling benefits	200,402	-
Statutory contributions	12,522	-
	<u>212,924</u>	<u>-</u>

Directors' fees totalled USD\$36,000 for the period.

First Rock Capital Holdings Limited

# Notes to the Consolidated Financial Statements

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## 20. Other Assets

	2020 \$	2019 \$
Trade and other receivables:		
Rent receivable	37,154	14,828
Prepaid expenses	129,013	93,575
Due from broker	129,002	-
GCT recoverable	125,979	-
Transfer tax and stamp duty refund	14,750	-
Refund on deposit for Shoppes at Rosehall	25,069	-
Other receivables	29,958	6,238
	<u>490,925</u>	<u>114,641</u>

## 21. Cash and Cash Equivalents

	2020 \$	2019 \$
Certificate of deposit with original maturity less than 90 days	-	400,000
Cash at bank	1,568,702	578,806
Cash in hand	1,208	-
	<u>1,569,910</u>	<u>978,806</u>

## 22. Other Liabilities

	2020 \$	2019 \$
Trade payable	54,639	55,029
Tenant deposits	21,542	29,491
Accrued expenses	63,406	36,509
Unallocated cash	19,872	-
Statutory payable	10,040	-
Credit card payable	4,148	5,896
Deposit on sale of units	33,863	-
Dividends payable	343,230	-
Other payables	3,435	-
	<u>554,175</u>	<u>126,925</u>

# Notes to the Consolidated Financial Statements

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## 23. Long Term Loans

	2020 \$	2019 \$
Sagicor Bank Jamaica Limited (i)	3,721,875	-
Barita Investments Limited (ii)	1,068,207	-
	<u>4,790,082</u>	<u>-</u>
Interest payable	9,970	-
	<u>4,800,052</u>	<u>-</u>

- (i) This represents a demand loan from Sagicor Bank Jamaica Limited, for the purchase of property at 1, 1B & 3 Bamboo Avenue, Jamaica. Interest is charged at a rate of 6.75% per annum. The terms of the promissory note indicate that the loan is payable on demand, which gives the lender the legal right to demand that the loan is repaid at any time. The loan is therefore classified as current. The facility however allows for a scheduled repayment to be made in July 2023. The loan is secured by the following:
- First Legal Mortgage stamped to cover US\$1,875,000 over property (vacant land) situated at 1, 1 B & 3 Bamboo Avenue, Mona, Kingston 6, St. Andrew registered at: Volume: 675 Folio:14, Volume: 983 Folio: 219 and Volume: 354 Folio: 69 in the name of First Rock Capital Holdings Limited.
  - SBJ Hypothecated Certificate of Deposit stamped to cover US\$1,875,000 in name of First Rock Capital Holdings Limited in the amount of US\$1,875,000.
  - SBJ Hypothecated Certificate of Deposit (collateral to above recited CD) in the name of First Rock Capital Holdings Limited representing the initial 6-month Interest
- (ii) This represents a loan facility from Barita Investments Limited for the purpose of real estate development. Interest is charged at a rate of 6.00% per annum. The loan is scheduled to be repaid by February 2022. The loan is secured by Barita Investments Limited investment note and repurchase agreement with a carrying values of \$1,263,000 and \$105,000 respectively. In spite of its scheduled repayment date of February 2022, the loan has been classified as current, consequent on the breach of a loan covenant as discussed below.

The Group was in breach of its loan covenant to Barita Investments Limited relating to the Group's minimum debt service coverage ratio. The breach of this ratio was occasioned in part, by the classification of the Group's demand loan to Sagicor Bank Limited as current (see note (i)) above. The facility with Barita was repaid in full subsequent to the end of the financial year.

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's statement of cash flows as cash flows from financing activities.

	31 December 2019	Financing cash flows – loan received less interest repaid	Non-cash changes - Interest	Non-cash changes – foreign exchange movements	31 December 2020
	\$	\$	\$	\$	\$
Long term loan	-	4,612,107	216,020	(28,075)	4,800,052
	<u>-</u>	<u>4,612,107</u>	<u>216,020</u>	<u>(28,075)</u>	<u>4,800,052</u>

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## 24. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 1%/25% for FCH and Dolla respectively (2019 - 1%).

The movement on the deferred income tax account is as follows:

	2020 \$	2019 \$
Liability at beginning of year	(6,563)	-
Charged to statement of comprehensive income (Note 12)	59,597	(6,563)
Deferred tax on intangible assets on acquisition of Dolla	99,756	-
Liability at end of year	<u>152,790</u>	<u>(6,563)</u>

Deferred income tax assets and liabilities are attributable to the following items:

	Unrealised exchange gains \$	Unrealised gain on fair valuation \$	Intangible assets \$	Interest receivable \$	Total \$
<b>Deferred tax liabilities:</b>					
1 October 2017	-	-	-	-	-
(Credited)/charged to comprehensive income	-	-	-	-	-
At 31 December 2019	-	-	-	-	-
Charged to profit or loss	17,161	501,609	-	127,311	646,081
Deferred tax on intangible assets on acquisition of Dolla	-	-	99,756	-	99,756
At 31 December 2020	<u>17,161</u>	<u>501,609</u>	<u>99,756</u>	<u>127,311</u>	<u>745,837</u>

	Accelerated tax depreciation\$	Tax losses \$	Unrealised foreign exchange loss \$	Other \$	Total \$
<b>Deferred tax assets:</b>					
1 October 2017	-	-	-	-	-
Credited to comprehensive income	-	6,563	-	-	6,563
At 31 December 2019	-	6,563	-	-	6,563
Credited to profit or loss	10,333	568,098	1,725	6,328	586,484
At 31 December 2020	<u>10,333</u>	<u>574,661</u>	<u>1,725</u>	<u>6,328</u>	<u>593,047</u>



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## 24. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position include the following:

	2020 \$	2019 \$
Deferred tax assets to be settled after more than twelve months	<u>574,661</u>	<u>6,563</u>
Deferred tax liabilities to be settled after more than twelve months	<u>127,311</u>	<u>-</u>

## 25. Share Capital

In February 2020, through an initial public offering Company issued an additional 119,903,250 of a combination of USD and JMD ordinary shares. 81,650,250 USD shares were issued at an average share price of USD0.114 and 38,253,000 JMD shares were issued at an average price of JMD15.36. Transactions costs for this issue totalled USD1,048,783 and related to costs incurred for legal fees, fees for arrangers, brokers (2019 - \$589,860). Net proceeds from this offering were used to finance real estate development.

	2020	2020 \$	2019	2019 \$
Class A Ordinary shares (i)-				
Opening balance	166,122,068	15,472,346	-	-
Fully paid (par value - USD\$0.10)			160,622,068	15,472,346
Founders' shares (no par value)	-	-	5,500,000	-
Initial public offering	<u>119,903,258</u>	<u>12,266,308</u>	<u>-</u>	<u>-</u>
	<u>286,025,326</u>	<u>27,738,654</u>	<u>166,122,068</u>	<u>15,472,346</u>
Class A Preference shares (ii)				
Opening balance 4 October 2017	1,000,000	-	-	
Issue of shares to Management company (no par value)	-	-	1,000,000	-
	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>
Total number of shares	<u>287,025,326</u>	<u>27,738,654</u>	<u>167,122,068</u>	<u>15,472,346</u>

- (i) Class A Ordinary shares are voting and participating shares of the company
- (ii) Class A Preference shares rank pari passu as between and among themselves and in priority to any shares by the Company. Each Class A preference shareholder is entitled to a cumulative annual preference dividend equivalent to Twenty- five per cent (25%) of the audited annual total comprehensive income of the Company (calculated in accordance with International Financial Reporting Standards prevailing from time to time, and expressed in US dollars) ("Total Income") in each financial year in excess of the Annual Earnings Hurdle, divided by The number of Class A Preference Shares in issue when the said cumulative annual preference dividend is paid. The "Annual Earnings Hurdle" shall be the amount which results when the Hurdle Rate of eight per cent (8%) is applied to the Total Income of the Company.
- (iii) Class A preference shareholders have voting rights in general meeting and have no economic rights or entitlements apart from the cumulative dividends, save and except for a return of capital paid or credited to be paid, as well as a right to share in any surplus on winding up on a pari passu basis with the capital paid for the shares. No capital has been paid on the Class A preference shares.

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## 26. Earnings per Stock Unit

Basic earnings per stock unit are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	<b>2020</b>	<b>2019</b>
Net profit attributable to shareholders (\$)	2,659,089	692,934
Weighted average number of ordinary shares in issue	268,369,563	54,586,323
Basic earnings per stock unit (USD per share)	<u>0.01</u>	<u>0.01</u>

The Group has no dilutive potential ordinary shares. The diluted earnings per stock unit are the same as the basic earnings per stock unit.

## 27. Dividends

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Third interim dividend for 2019 at \$0.0012 per ordinary share - gross	-	199,346
First interim dividend for 2020 at \$0.0008 per ordinary share - gross	228,820	-
Second interim dividend for 2020 at \$0.0013 per ordinary share – gross	371,833	-
Third interim dividend for 2020 at \$0.0008 per ordinary share - gross	228,820	-
Final dividend for 2020 at \$0.0012 per ordinary share - gross	343,230	-
	<u>1,172,703</u>	<u>199,346</u>

The final dividend paid on 11 January 2021 is recognized as a liability in Note 22 at year end.

First interim dividends were declared and paid in March 2020 at a rate of \$0.0008 - this amount was not accrued in 2019.

A subsidiary of the Group, which has an NCI also declared dividends during the year. The dividends paid to the NCI, amounting to \$60,236 is shown as a deduction from the equity attributable to the NCI and has also been included in the dividends paid, as part of the Group's financing cash flows.

# Notes to the Consolidated Financial Statements

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## 28. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the First Rock Capital Resource Company Limited, which identifies, evaluates and manages financial risks in close co-operation with the Group's operating business units. The Board of Directors sets guidelines for overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

### (a) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates, political risk and economic risk. Market risk is monitored by Management who carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Jamaican dollar (JMD) and the Costa Rican Colón (CRC). Foreign exchange risk arises from transactions for purchases and recognised assets and liabilities.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

#### *Concentration of currency risk*

The table below summarises the Group's exposure to the JMD 31 December. The Group's exposure to the CRC at 31 December was not material.

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## 28. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

	<b>2020</b>
	<b>JMD Exposure</b>
	<b>US\$</b>
<b>Financial assets</b>	
Cash and cash equivalents	78,472
Financial assets at amortised cost	2,234,695
Financial assets at fair value through profit or loss	1,009,258
Loans and advances net of provision for credit losses	2,065,651
Due from related parties	18,346
Other assets	-
Total financial assets	<u>5,406,422</u>
<b>Financial liabilities</b>	
Long term loan	1,078,177
Lease liability	67,286
Due to related parties	-
Other liabilities	15,364
Total financial liabilities	<u>1,160,827</u>
Net position	<u>4,245,595</u>
	<b>2019</b>
	<b>JMD Exposure</b>
	<b>US\$</b>
<b>Financial assets</b>	
Cash and cash equivalents	67,216
Financial assets at amortised cost	567,438
Financial assets at fair value through profit or loss	54,976
Other assets	-
Due from related parties	831
Total financial assets	<u>690,461</u>
<b>Financial liabilities</b>	
Other liabilities	32,889
Due to related parties	-
Total financial liabilities	<u>32,889</u>
Net position	<u>657,572</u>

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 28. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

*Concentration of currency risk*

*Sensitivity analysis*

The impact on the Group's profit before taxation, arising from a weakening or strengthening of the USD dollar in relation to the JMD are as follows:

	% Change in Currency Rate	Effect on Profit before Tax	% Change in Currency Rate	Effect on Profit before Tax
	2020	2020	2019	2019
<b>Currency:</b>				
JMD (USD Strengthen)	6%	(254,736)	6%	(39,454)
JMD (USD Weaken)	2%	84,912	4%	26,303

#### (ii) Interest rate risk

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

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

# Notes to the Consolidated Financial Statements

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## 28. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (continued)

The following tables summarise the Group's exposure to interest rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	2020						Total \$
	Within 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Non- interest bearing \$	
<b>At 31 December 2020:</b>							
<b>Financial assets</b>							
Cash and cash equivalents	1,568,701	-	-	-	-	1,209	1,569,910
Financial assets at amortised cost	-	308,349	4,359,603	1,270,046	1,658,983	348,096	7,945,077
Loans net of provision for credit losses	211,751	350,389	1,208,076	213,418	-	82,017	2,065,651
Financial assets at fair value through profit or loss	-	-	-	-	-	1,259,258	1,259,258
Due from related parties	-	-	-	-	-	74,569	74,569
Other assets	-	-	-	-	-	221,183	221,183
<b>Total financial assets</b>	<b>1,780,452</b>	<b>658,738</b>	<b>5,567,679</b>	<b>1,483,464</b>	<b>1,658,983</b>	<b>1,986,332</b>	<b>13,135,648</b>
<b>Financial liabilities</b>							
Long term loan	4,790,082	-	-	-	-	9,970	4,800,052
Lease liability	-	-	-	119,787	26,801	-	146,588
Due to related parties	-	-	-	-	-	380,970	380,970
Other liabilities	-	-	-	-	-	468,858	468,858
<b>Total financial liabilities</b>	<b>4,790,082</b>	<b>-</b>	<b>-</b>	<b>119,787</b>	<b>26,801</b>	<b>859,798</b>	<b>5,796,468</b>
<b>Total interest repricing gap</b>	<b>(3,009,630)</b>	<b>658,738</b>	<b>5,567,679</b>	<b>1,363,677</b>	<b>1,632,182</b>	<b>1,126,534</b>	<b>7,339,180</b>
<b>Cumulative interest repricing gap</b>	<b>(3,009,630)</b>	<b>(2,350,892)</b>	<b>3,216,787</b>	<b>4,580,464</b>	<b>6,212,646</b>	<b>7,339,180</b>	



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## 28. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (continued)

	2019						Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-interest bearing	
	\$	\$	\$	\$	\$	\$	\$
<b>At 31 December 2019:</b>							
<b>Financial assets</b>							
Cash and cash equivalents	978,806	-	-	-	-	-	978,806
Financial assets at amortised cost	-	-	515,957	2,099,983	1,255,602	91,181	3,962,723
Other assets	-	-	-	-	-	21,066	21,066
Due from related parties	-	-	-	-	-	831	831
<b>Total financial assets</b>	<b>978,806</b>	<b>-</b>	<b>515,957</b>	<b>2,099,983</b>	<b>1,255,602</b>	<b>113,078</b>	<b>4,963,426</b>
<b>Financial liabilities</b>							
Other liabilities	-	-	-	-	-	126,927	126,927
Due to related parties	-	-	-	-	-	122,329	122,329
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>249,256</b>	<b>249,256</b>
Total interest repricing gap	978,806	-	515,957	2,099,983	1,255,602	(136,178)	4,714,170
Cumulative interest repricing gap	978,806	978,806	1,494,763	3,594,746	4,850,348	4,714,170	

#### Interest rate sensitivity

The Group's interest rate risk arises from investment securities, loan receivables and long term loans. The sensitivity of the income statement is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and floating rate liabilities.

	Change in Basis Points	Effect on Net Profit	Change in Basis Points	Effect on Net Profit
	2020	2020	2019	2019
		\$		\$
JMD	+100	(21,364)	+100	-
JMD	-100	21,364	-100	-

#### (iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity price risk because of investments held by the Group classified as fair value through profit or loss. The Group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact on total stockholders' equity (before tax) of a 10% increase/decrease in equity prices is an increase/decrease of USD\$125,926 (2019 – 5,498).

# Notes to the Consolidated Financial Statements

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## 28. Financial Risk Management (Continued)

### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents (excluding cash on hand), loans receivable, contractual cash flows of debt investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The Group has policies in place to ensure that property rentals and services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. The Group manages its credit risk by screening its customers, establishing credit limits, obtaining bankers' guarantees or collateral for loans where applicable, the rigorous follow-up of receivables and ensuring investments are low-risk or are held with sound financial institutions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to industry segments.

### (i) Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations.

Overall exposure to credit risk

The following table analyses the credit rating by internally developed and assessed investment ratings of financial assets bearing credit risk. See Note 3(e).

	2020				
	A to Aaa*	B to Baa	C to Caa	Not rated	Total
	\$	\$	\$	\$	\$
Financial instruments -					
Corporate bonds	-	2,691,322	1,094,556	-	3,785,878
Loans receivable -					
First Rock Capital Resource Limited	-	1,469,599	-	-	1,469,599
Medical Associates Limited	-	427,103	-	-	427,103
Nationwide News Network Ltd.	-	146,719	-	-	146,719
Certificate of deposit – Sagicor Bank Jamaica Limited	-	2,275,244	-	-	2,275,244
Repurchase agreement – Barita Investments Limited	-	105,386	-	-	105,386
Other assets	-	-	-	221,183	221,183
Cash at bank -					
Sagicor Bank Jamaica Limited	1,169,400	-	-	-	1,169,400
Bank of Nova Scotia	377,000	-	-	-	377,000
National Commercial Bank Jamaica Limited	16,232	-	-	-	16,232
Cash on hand	1,208	-	-	-	1,208
Wells Fargo & Company	6,070	-	-	-	6,070
	1,569,910	7,115,373	1,094,556	221,183	10,001,022

First Rock Capital Holdings Limited  
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**28. Financial Risk Management (Continued)**

**(b) Credit risk (continued)**

(i) Investments (continued)

Overall exposure to credit risk (continued)

	2019			Total
	A- to AA*	B+	Not rated	
	\$	\$	\$	\$
Financial instruments -				
Corporate bonds	1,027,824	1,668,704	-	2,696,528
Loans receivable -				
First Rock Capital Resource Limited	-	-	843,682	843,682
Medical Associates Limited	-	-	457,492	457,492
Other assets	-	-	21,066	21,066
Cash and cash equivalents -				
Certificate of deposit – Sagicor Bank Jamaica Limited	400,000	-	-	400,000
Sagicor Bank Jamaica Limited	509,519	-	-	509,519
Wells Fargo & Company	69,287	-	-	69,287
	<u>2,006,630</u>	<u>1,668,704</u>	<u>1,322,240</u>	<u>4,997,574</u>

**Credit quality of financial assets and ratings assigned**

The credit quality of financial assets and the assigned ratings has been determined by reference to external credit ratings, if available, or to a rating assigned by management's expert using an approach consistent with that used by global rating agencies. All of the ratings assigned above were based on internal ratings.

**Aaa**

An obligation rated 'Aaa' has the highest rating. Obligations rated Aaa are judged by management to be of the highest quality, minimal risk.

**Aa**

Obligations rated Aaa are judged to be of the high quality and are subject to very low credit risk.

# Notes to the Consolidated Financial Statements

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## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

#### (i) Investments (continued)

##### **A**

An obligation rated 'A' is considered upper-medium-grade and are subject to low credit risk.

##### **Baa**

Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

##### **Ba**

Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.

##### **B**

Obligations rated B are considered speculative and are subject to high credit risk.

##### **Caa**

Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

##### **Ca**

Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery in principal and interest.

##### **C**

Obligations rated C are the lowest-rated class of bonds and are typically in default, with little prospect for recovery of principal and interest.

##### **Not Rated**

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification mainly includes obligations due from related parties, short-term securities and loans net of provisions for credit losses.

#### (ii) Loans and trade receivables

Loans receivable are balances which have been recognised when cash is advanced to borrowers. Trade receivables relate mainly to tenants of the Group's investment properties. Receivables are monitored and followed up on a regular basis and provisions made as deemed necessary based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

##### Customer loans

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories.

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## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Definition of Category	Basis for recognition of ECL
Performing	<ul style="list-style-type: none"> <li>Loans for which there is no evidence of a significant increase in credit risk since the origination date.</li> <li>Loans that are due to mature within 12 months of the reporting date providing that such loans are not in a state of default.</li> <li>Loans past due between 30 to 89 days</li> <li>Loans that experienced a significant increase in credit risk even if the 30 days past due days threshold is not met</li> </ul>	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1). Lifetime expected losses (stage 2).
Underperforming	<ul style="list-style-type: none"> <li>Loans that are past due 90 days and over</li> <li>Loans for which the maturity date has elapsed</li> </ul>	Lifetime expected losses (stage 3).
Non-Performing (credit impaired)	<ul style="list-style-type: none"> <li>Loans that show evidence of impairment even if the 90 days past due threshold is not met</li> </ul>	
Write-off	See note 2(g)(v)	Asset is written off.

The Group does not require the customers to pledge collateral as security against the loan in all cases.

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for ECLs on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data.

### Credit quality of financial assets

The following table sets out the staging of the company's financial assets, exposed to credit risk, and shows their maximum exposure to credit risk. The amounts shown in the tables reconcile to the carrying values as shown in the financial statements. The tables below exclude other assets, which are in stage 1 and for which there is no ECL. All of the items listed below were in stage 1 (12 month ECL) and loss allowances were recorded only for the loans receivable and financial instruments classified at amortised cost. There were no financial assets that were purchased credit impaired.

Financial instruments at amortised costs are considered to have low to moderate credit risk. Management considers 'low credit risk' for listed bonds which have an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

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## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

#### Credit quality of financial assets

	ECL Staging 2020			
	12-month ECL	Stage 2 – Lifetime ECL	Stage 3 – Lifetime ECL	Total
	\$	\$	\$	\$
<b>As at 31 December</b>				
Financial instruments				
- A to Aaa	-	-	-	-
- B to Baa	7,443,009	-	-	7,443,009
- C to Caa	-	-	1,094,556	1,094,556
Loans receivable				
- Not rated**	1,842,759	121,037	256,634	2,220,430
Cash at bank				
- A	1,569,910	-	-	1,569,910
Gross carrying amount	10,855,678	121,037	1,351,190	12,327,905
ECL	(63,205)	(1,893)	(682,169)	(747,267)
Gross carrying amount, net of ECL	10,792,473	119,144	669,021	11,580,638

SICR was experienced for loans receivable based on increases in DPD for certain loans, as well as an investment security going into default, based on missed interest payments and slippage of more than four levels on the rating scale.

	ECL Staging 2019			
	12-month ECL	Stage 2 – Lifetime ECL	Stage 3 – Lifetime ECL	Total
	\$	\$	\$	\$
<b>As at 31 December</b>				
Financial instruments				
- A	1,027,824	-	-	1,027,824
- B to Baa	1,668,704	-	-	1,668,704
- Not rated**	1,301,174	-	-	1,301,174
Cash and cash equivalents				
- A	978,806	-	-	978,806
Gross carrying amount	4,976,508	-	-	4,976,508
ECL	(34,979)	-	-	(34,979)
Gross carrying amount, net of ECL	4,941,529	-	-	4,941,529



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31 December 2020

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## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

#### Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

#### (i) Debt securities

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	31 December 2020 Total	31 December 2019 Total
<b>Debt Securities – Amortised Cost</b>	\$	\$	\$	\$	\$
<b>Gross carrying amount as at 1 January 2020</b>	3,456,842	-	-	3,456,842	-
New financial assets originated or purchased	9,732,937	-	-	9,732,937	3,456,842
Financial assets fully derecognised during the period	(3,239,214)	-	-	(3,239,214)	-
Movement between stages	(1,094,556)	-	1,094,556	-	-
Changes in principal and interest	(1,413,000)	-	-	(1,413,000)	-
<b>Gross carrying amount as at 31 December 2020</b>	<b>7,443,009</b>	<b>-</b>	<b>1,094,556</b>	<b>8,537,565</b>	<b>3,456,842</b>
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	31 December 2020 Total	31 December 2019 Total
<b>Debt Securities – Amortised Cost</b>	\$	\$	\$	\$	\$
<b>Loss Allowance as at 1 January 2020</b>	34,979	-	-	34,979	34,979
New financial assets originated or purchased	15,185	-	-	15,185	-
Financial assets fully derecognised during the period	(13,015)	-	-	(13,015)	-
Movement between stages	(9,489)	-	9,489	-	-
Changes in models/assumptions used in ECL calculation	-	-	-	-	-
Changes to inputs used in ECL calculation	16,340	-	545,671	562,011	-
Foreign exchange adjustment	(6,672)	-	-	(6,672)	-
<b>Loss Allowance as at 31 December 2020</b>	<b>37,328</b>	<b>-</b>	<b>555,160</b>	<b>592,488</b>	<b>34,979</b>

First Rock Capital Holdings Limited  
**Notes to the Consolidated Financial Statements**

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**28. Financial Risk Management (Continued)**

**(b) Credit risk (continued)**

Loss allowances (continued)

(ii) Loans

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	31 December 2020 Total	31 December 2019 Total
	\$	\$	\$	\$	\$	\$
<b>Loans – Amortised Cost</b>						
<b>Gross carrying amount as at 1 January 2020</b>	-	-	-	-	-	-
New financial assets purchased	-	-	-	268,274	268,274	-
New financial assets originated	2,449,464	-	-	-	2,449,464	-
Transfer from Stage 1 to Stage 2	(219,481)	219,481	-	-	-	-
Transfer from Stage 1 to Stage 3	(11,467)	-	11,467	-	-	-
Financial assets fully derecognised during the period	(308,561)	(59,287)	-	(5,118)	(372,966)	-
Changes in principal and interest	(108,551)	(6,769)	-	(20,480)	(135,800)	-
Foreign exchange adjustment	58,170	(49,203)	-	2,491	11,458	-
<b>Gross carrying amount as at 31 December 2020</b>	<b>1,859,574</b>	<b>104,222</b>	<b>11,467</b>	<b>245,167</b>	<b>2,220,430</b>	<b>-</b>
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	31 December 2020 Total	31 December 2019 Total
	\$	\$	\$	\$	\$	\$
<b>Loans – Amortised Cost</b>						
<b>Loss Allowance as at 1 January 2020</b>	-	-	-	-	-	-
New financial assets purchased	-	-	-	-	-	-
New financial assets originated	28,636	-	-	-	28,636	-
Transfer from Stage 1 to Stage 2	(4,448)	4,448	-	-	-	-
Transfer from Stage 1 to Stage 3	(3,324)	-	3,324	-	-	-
Financial assets fully derecognised during the period	(12,236)	(2,842)	-	-	15,078	-
Changes in models/assumptions used in ECL calculation	-	-	-	-	-	-
Changes to inputs used in ECL calculation	18,563	522	-	130,151	149,236	-
Foreign exchange adjustment	(1,314)	(235)	-	(6,466)	(8,015)	-
<b>Loss Allowance as at 31 December 2020</b>	<b>25,877</b>	<b>1,893</b>	<b>3,324</b>	<b>123,685</b>	<b>154,779</b>	<b>-</b>

The loss allowances for loan receivables as at 31 December reconcile to the opening loss allowances as follows:

	2020	2019
	\$	\$
<b>Opening loss allowance at 1 January</b>	-	-
Increase in loan loss	154,779	-
<b>Closing loss allowance at 31 December</b>	<b>154,779</b>	<b>-</b>

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## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

Loss allowances (continued)

#### (ii) Loans

The gross carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

	2020	2019
	\$	\$
Performing	1,829,201	-
Underperforming	134,594	-
Non-Performing (credit impaired)	256,635	-
<b>Total gross loan receivables</b>	<b>2,220,430</b>	<b>-</b>
Less: Loan loss allowance	(154,779)	-
<b>Loan receivables net of expected credit losses</b>	<b>2,065,651</b>	<b>-</b>

#### Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Loans – Cash and other near cash securities, mortgages over commercial and residential properties, charges over equipment and motor vehicles. Fair value of properties held as collateral is mainly based on obtained valuations from third parties and management’s assessment of comparative sales, where valuations are not available.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held.

As at 31 December 2020, the fair value of collateral held stands at \$27,454 (2019 – nil).

#### Repossessed collateral

The Group can obtain assets by taking possession of collateral held as security. Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

# Notes to the Consolidated Financial Statements

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## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

Loss allowances (continued)

Economic variable assumptions for exposure

December 2020

In 2020, the global financial markets have experienced and continue to experience significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and specific industries remains uncertain and has created significant challenges to reporting entities in estimating forward looking adjusted ECL.

First Rock has adopted the scorecard approach for forward looking adjustments which is based on qualitative assessment. Macroeconomic variables that affect the performance of the portfolio the most is chosen and its significance (weighting) assigned. Each macroeconomic variable is then given a state, depending on management expectation. Each state is assigned a corresponding multiplier which indicates the impact of the state on the portfolio. The multipliers determine the range of ECL fluctuation. If the range is narrow, it means that the portfolio is less prone to macro-economic conditions. If the range is wide, the portfolio is easier affected by the indicators identified. This exercise is performed for all scenarios which represent different macroeconomic outlook. The set of variables remain the same however the states may vary depending on each specific scenario. The three scenarios are weighted based on the range of macroeconomic scenarios they cover. The score and probability of impact of each scenario are multiplied, and the results are summed for all 3 scenarios.

The assumptions and the related macroeconomic variables used by the Group for its investment securities are as follows:

- Inflation – Given a weight of 20%
- Interest rates – Given a weight of 40%
- Gross Domestic Product (GDP) – Given a weight of 30%
- Unemployment – Given a weight of 10%

The scenarios used and the weight assigned are as follows:

- Base case – 50%
- Upside – 30%
- Downside – 30%

The multipliers used for the various outlook forecasts are as follows:

- Positive – Multiplier of 0.6
- Stable – Multiplier of 1.08
- Negative – Multiplier of 1.30

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

Loss allowances (continued)

Economic variable assumptions for exposure (continued)

The assumptions and the related macroeconomic variables used by the Group for its loans net of provisions for credit losses are as follows:

- Inflation – Given a weight of 20%
- Interest rates – Given a weight of 25%
- Gross Domestic Product (GDP) – Given a weight of 20%
- Unemployment – Given a weight of 35%

The scenarios used and the weight assigned are as follows:

- Base case – 50%
- Upside – 20%
- Downside – 30%

The multipliers used for the various outlook forecasts are as follows:

- Positive – Multiplier of 0.6
- Stable – Multiplier of 1.1
- Negative – Multiplier of 1.6

# Notes to the Consolidated Financial Statements

31 December 2020

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## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

Loss allowances (continued)

Economic variable assumptions for exposure (continued)

December 2019

Macroeconomic variables used in the company's ECL models for securities include, but is not limited to, World Gross Domestic Product.

The Vasicek formula was used to incorporate forward looking information. The formula takes in 3 variables – historical PD, sensitivity on economic conditions (Rho factor), and the current/forecasted state of the economy (Z factor). For Z factor, the general approach is to link it to selected macro-economic variables. One of the significant variables would be GDP growth.

Three scenarios (baseline, upside and downside) are considered to reflect a range of possible outcomes. The macro-economic indicators have been adjusted upwards and downwards to produce 2 more sets of Z scores. The probability weights of the scenarios are estimated such that the baseline scenario has the highest weight (80%) given that it represents the most likely outcome. The rest of the weights are shared by the upside and downside scenarios (10% each) given that there's no obvious indication of expected direction.



# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 28. Financial Risk Management (Continued)

### (b) Credit risk (continued)

Loss allowances (continued)

Economic variable assumptions for exposure (continued)

December 2019 (continued)

The impact of these economic variables has been determined by performing statistical analysis to understand that a correlation exists between certain variables. The PDs and LGDs are impacted by long term changes in the various data sets gathered from external rating agencies (Standards & Poor, Moody's) and the International Monetary Fund.

Macroeconomic variable assumptions in assessing our financial instruments in the expected credit loss models include:

Outlook for the next year from December 2019:

		<b>Jamaica</b>	<b>Cayman</b>	<b>Weighting</b>
		<b>2019</b>	<b>2019</b>	<b>20190</b>
Z Factor	Base	55%	61%	80%
	Upside	87%	90%	10%
	Downside	19%	24%	10%
	Weighted	55%	61%	-

### (c) Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

#### Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Asset and Risk Management Committee, includes:

- i. Monitoring future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure funding if required;
- ii. Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- iii. Maintaining lines of credit;
- iv. Optimizing cash returns on investments; and
- v. Managing the concentration and profile of debt maturities.

# Notes to the Consolidated Financial Statements

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## 28. Financial Risk Management (Continued)

### (c) Liquidity risk (continued)

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Group's assets and liabilities based on the remaining period to maturity.

	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$	\$	\$	\$	\$		\$
<b>At 31 December 2020:</b>							
Cash and cash equivalents	1,569,910	-	-	-	-	-	1,569,910
Financial assets at amortised cost	2,664	510,703	9,010,265	2,962,077	2,110,037	-	14,595,746
Financial assets at fair value through profit or loss	-	-	-	-	-	1,259,258	1,259,258
Due from related parties	-	-	-	-	-	74,569	74,569
Loans net of provision for credit losses	357,512	510,781	1,557,966	231,037	-	-	2,657,296
Other assets	-	-	-	-	-	221,183	221,183
<b>Total financial assets</b>	<b>1,930,086</b>	<b>1,021,484</b>	<b>10,568,231</b>	<b>3,193,114</b>	<b>2,110,037</b>	<b>1,555,010</b>	<b>20,377,962</b>
<b>Financial liabilities</b>							
Long term loan	4,800,052	-	-	-	-	-	4,800,052
Due to related parties	-	-	-	-	-	380,970	380,970
Lease liability	5,532	11,000	48,477	159,733	3,136	-	227,878
Other liabilities	-	-	-	-	-	468,858	468,858
<b>Total financial liabilities</b>	<b>4,805,584</b>	<b>11,000</b>	<b>48,477</b>	<b>159,733</b>	<b>3,136</b>	<b>849,828</b>	<b>5,877,758</b>
Net financial position	(2,875,498)	1,010,484	10,519,754	3,033,381	2,106,901	705,182	14,500,204
Maturity gap	(2,875,498)	(1,865,014)	8,654,740	11,688,121	13,795,022	14,500,204	

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## 28. Financial Risk Management (Continued)

### (c) Liquidity risk (continued)

	2019						Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	
	\$	\$	\$	\$	\$	\$	\$
<b>At 31 December 2019:</b>							
Cash and cash equivalents	978,806	-	-	-	-	-	978,806
Financial assets at amortised cost	2,850	102,500	196,050	2,646,450	1,146,250	-	4,094,100
Due from related parties	-	-	-	-	-	831	831
Loans net of provision for credit losses	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	21,066	21,066
<b>Total financial assets</b>	<b>981,656</b>	<b>102,500</b>	<b>196,050</b>	<b>2,646,450</b>	<b>1,146,250</b>	<b>21,897</b>	<b>5,094,803</b>
<b>Financial liabilities</b>							
Other liabilities	97,436	-	-	-	-	-	97,436
Due to related parties	-	-	-	-	-	122,329	122,329
<b>Total financial liabilities</b>	<b>97,436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,329</b>	<b>219,765</b>
<b>Net financial position</b>	<b>884,220</b>	<b>102,500</b>	<b>196,050</b>	<b>2,646,450</b>	<b>1,146,250</b>	<b>(100,432)</b>	<b>4,875,038</b>
<b>Maturity gap</b>	<b>884,220</b>	<b>986,720</b>	<b>1,182,770</b>	<b>3,829,220</b>	<b>4,975,470</b>	<b>4,875,038</b>	

### (d) Capital management

The Group's objectives when managing capital are to provide superior returns for stockholders and benefits for other stakeholders, while maintaining a conservative capital structure. The Board of Directors monitors the return on equity, which the group defines as net profit attributable to equity holders divided by total stockholders' equity. The Board of Directors also monitors and approves the level of dividends to ordinary stockholders.

The consolidated statement of changes in equity depicts the Group's capital and changes therein. There were no changes to the group's approach to capital management during the year.

The company and its subsidiaries have no externally imposed capital requirements. The Group is subject to certain loan covenant requirements, as discussed in Note 23.

# Notes to the Consolidated Financial Statements

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## 29. Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following tables provide an analysis of financial instruments held as at the statement of financial position date that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

The Group's equity instruments as at 31 December 2020 were classified as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>2020</b>				
<b>As at 31 December 2020</b>				
Quoted equities	1,009,258	-	-	1,009,258
Unquoted equities			250,000	250,000
	1,009,258	-	250,000	1,259,258
<b>2019</b>				
<b>As at 31 December 2020</b>				
Quoted equities	54,976	-	-	54,976
	54,976	-	-	54,976

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. Instruments included in level 1 comprise primarily equity investments classified as financial assets at fair value through profit.

The following table shows the movement of investment securities measured at level 3 during the financial year.

	2020 \$	2019 \$
1 January 2020	-	-
Acquisition	250,000	-
31 December 2020	250,000	-

The impact on total stockholders' equity (before tax) of a 10% increase/decrease in level 3 equity value is an increase/decrease of USD\$25,000 (2019 – nil).

# Notes to the Consolidated Financial Statements

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## 30. Leases

This note provides information for leases where the Group is a lessee.

### a) Amounts recognised in the statement of financial position

	2020 \$	2019 \$
<b>Right-of-use assets</b>		
Buildings	147,312	-
	<u>147,312</u>	<u>-</u>
<b>Lease liability</b>		
Current	65,009	-
Non-current	81,579	-
	<u>146,588</u>	<u>-</u>

### b) Amounts recognised in the statement of comprehensive income

	2020 \$	2019 \$
<b>Depreciation charge of right-of-use assets</b>		
Buildings	63,584	-
	<u>63,584</u>	<u>-</u>
Interest expense	19,398	-
	<u>19,398</u>	<u>-</u>
Total expenses related to leases	<u>82,982</u>	<u>-</u>

### Lease activities

The office buildings are rented for fixed periods ranging of 1 -3 years with an option to renew the contracts. The lease payments are fixed and adjusted for inflation.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

# Notes to the Consolidated Financial Statements

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## 30. Leases (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received to determine the incremental borrowing rate, the company uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company and makes adjustments specific to the lease, eg term, currency and security.

The total cash outflow for leases in 2020 was \$55,527.

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## 31. Business Combination

### (i) Summary of acquisition

On 31 March 2020, First Rock Capital Holdings Limited acquired 75% of the issued share capital of Dolla Financial Services Limited.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$
Purchase consideration (refer to (b) below):	
Cash paid	500,000
Ordinary shares issued	-
Total purchase consideration	<u>500,000</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	\$
Cash and cash equivalents	396,856
Loan receivables	1,830,808
Other receivables	44,072
Intangible assets (acquired arising on acquisition of Dolla)	400,518
Property, plant and equipment	120,946
Payables and accruals	(435,917)
Deferred tax liability	(99,756)
Lease liability	(78,620)
Loans payable	(257,146)
Tax payable	(60,141)
Preference shares	(968,496)
Net identifiable assets acquired	<u>893,124</u>
Less: non-controlling interests	<u>(167,606)</u>
Net assets acquired	<u>725,518</u>

Acquired receivables

The fair value of acquired loan receivables is \$1,731,999.

	\$
Total purchase consideration	500,000
Net assets acquired	<u>(725,518)</u>
Negative goodwill	<u>(225,518)</u>



# Notes to the Consolidated Financial Statements

31 December 2020

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## 31. Business Combination (Continued)

### (i) Summary of acquisition (continued)

As at the acquisition date, negative goodwill of \$225,518 has been recognized in the statement of comprehensive income given that the amounts of the identifiable net assets acquired exceeded the sum of the value of consideration transferred. The bargain purchase represents an economic gain, which should be immediately recognized by the acquirer in earnings.

#### Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Dolla Financial Services Limited, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 2(c) for the group's accounting policies for business combinations.

#### Revenue and profit contribution

The acquired business contributed revenues of \$667,471 and net loss of \$217,808 to the Group for the period from 1 April to 31 December 2020. If the acquisition had occurred on 1 January 2020, using management's internal financial statements, the Group's interest income and profit for the year ended 31 December 2020 would have been \$2,245,083 and \$2,895,005 respectively.

### (ii) Purchase consideration – cash outflow

	2020	2019
	\$	\$
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	500,000	-
Less: Cash and cash equivalents acquired	<u>(396,856)</u>	<u>-</u>
Net outflow of cash – investing activities	<u>103,144</u>	<u>-</u>

#### Acquisition-related costs

Acquisition-related costs of \$34,108 that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

## 32. Interest in Other Entities

### (a) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	<b>Dolla Financial Services Limited</b>	
	<b>2020</b>	<b>2019</b>
Summarised Balance Sheet	<b>\$</b>	<b>\$</b>
Current assets	1,927,486	-
Current liabilities	149,596	-
Net current assets	<u>1,777,890</u>	-
Non-current assets	747,965	-
Non-current liabilities	2,158,124	-
Non-current net liability	<u>1,410,159</u>	-
Net Assets	<u>367,731</u>	-
Accumulated NCI	<u>48,469</u>	-
	<b>Dolla Financial Services Limited</b>	
	<b>2020</b>	<b>2019</b>
Summarised Statement of comprehensive income	<b>\$</b>	<b>\$</b>
Revenue	667,471	-
Loss for the period	217,808	-
Other comprehensive income	-	-
Total comprehensive income	217,808	-
Loss allocated to NCI	54,452	-
Dividends paid to NCI	60,326	-
Summarised cash flows		
Cash Flows from operating activities	(4,053,912)	-
Cash Flows from investing activities	-	-
Cash Flows from financing activities	2,158,124	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u><u>(1,895,788)</u></u>	<u><u>-</u></u>

On 31 March 2020, the Group acquired 75% of the issued shares of Dolla Financial Services Limited for \$500,000. The Group recognised non-controlling interests of \$167,606.

# Notes to the Consolidated Financial Statements

31 December 2020

(expressed in United States dollars unless otherwise indicated)

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### 33. Impact of COVID-19

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to our operational process.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. As we operate in the regional real estate market, we have found asset prices to be stable, demand continuing to be strong, and we expect this to continue. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our team.

We have maintained a healthy liquidity position evidenced by our cash & cash equivalents balance as at the year end. This has been a key strategic objective, to withstand any adverse shocks to our investments and to capitalize on any opportunities which may present themselves.

### 34. Subsequent Events

- (a) On 31 March 2021, the Group entered into an agreement for the sale of its subsidiary Dolla Financial Services Limited for \$1,100,000.
- (b) In January 2021 the Group completed the acquisition of 5 units in The Grove Cayman for a total acquisition cost of US\$3.2M
- (c) In April 2021, the Group entered into an agreement to purchase the property known as 12-14 Oxford Terrace from Advanced Integrated Systems, for a consideration of One Million, Nine Hundred and Twenty-Eight Thousand, Five Hundred United States Dollars (US\$1,928,500.00).
- (d) In 2021, the Group sold the following investment properties in USA and Jamaica for \$840,000 at a total loss of \$40,000:
  - Two Icon Brickell units for a sale price of \$430,000 and \$420,000 each in January and March 2021; and
  - Watermill Villa unit for a sale price \$310,000 in March 2021.
- (e) In March 2021, the Group repaid its loan to Barita Investments Limited (Note 23), which was due to be repaid in February of 2022.
- (f) On 1 July 2021, the IBC and Income Tax Acts, to which the Company is subject will be changed as follows:  
For IBCs incorporated prior to December 1, 2018:
  - The election to pay tax at 0% or 1% will be available until 30 June 2021;
  - After 1 July 2021 these IBCs will be subject to tax in accordance with the Income Tax Act; and
  - The Income Tax Act has been amended such that companies will be subject to tax on income accrued from a source in Saint Lucia. The rate of income tax under the current regime is 30%.

Income deemed to have accrued from sources outside Saint Lucia includes:

- (i) profits derived from —
  - i. a permanent establishment outside Saint Lucia,
  - ii. immovable property situated outside Saint Lucia;
- (ii) interest that is not specified under section 10(1)(c);
- (iii) income derived from investments in securities, such as, mutual funds, stocks and interest-bearing instruments, issued by a person outside Saint Lucia;
- (iv) management charges paid by a non-resident from a source outside Saint Lucia where the costs are not attributable to a permanent establishment in Saint Lucia;
- (v) royalty payments received from a non-resident permanent establishment to a resident permanent establishment;
- (vi) a source of income which is deemed to accrue from a source outside Saint Lucia pursuant to an international agreement made under section 60.







# Form of Proxy

Affix \$100  
Stamp  
here

I/We \_\_\_\_\_ of \_\_\_\_\_ (address)  
being a member(s) of First Rock Capital Holdings Limited hereby appoint  
\_\_\_\_\_ (proxy name) of \_\_\_\_\_ (address) or failing  
him/her \_\_\_\_\_ (alternate proxy) of \_\_\_\_\_ (address)

as my/our proxy to vote for me/us on my/our behalf, at the 2021 Annual General Meeting of the Company to be held in person and via Livestream using the Zoom Video Conferencing Platform on the 25<sup>th</sup> day of June 2021 from Bourbon House, Bourbon Street, Castries, Saint Lucia at 8:30a.m. (GMT-4) and at any adjournment thereof.

	FOR	AGAINST
<b>Resolution 1</b> To receive the audited accounts for the year ended 31 <sup>st</sup> December 2020		
<b>Resolution 2</b> To ratify interim dividend payments and declare them final		
<b>Resolution 3</b> To elect Directors		
<b>Resolution 4</b> To approve the remuneration of the Directors		
<b>Resolution 5</b> To appoint Auditors and fix their remuneration		

Signed this \_\_\_\_ day of \_\_\_\_\_ 2021

\_\_\_\_\_  
(Signature of primary shareholder)

\_\_\_\_\_  
(Name of primary shareholder)

\_\_\_\_\_  
(Signature of secondary shareholder)

\_\_\_\_\_  
(Name of secondary shareholder)

**NOTE to be valid:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/ her stead. A proxy need not be a member of the company.
2. If the appointer is a Corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized.
3. This Form of Proxy must be received by the Registrar of the Company, Sagicor Corporate Services, not less than 48 hours before the time of the meeting.
4. This Form of Proxy should bear stamp duty of \$100.00. Adhesive stamps are to be cancelled by the person signing the proxy.







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1st Floor, Bourbon House,  
Bourbon Street,  
Castries, Saint Lucia

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☎ 876-925-ROCK (7625)