



Sheppard Securities Limited

Audited Unconsolidated Financial Statements

For the year ended February 29, 2020

Sheppard Securities Limited

Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

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Independent Auditor's Report

To the Shareholders of
Sheppard Securities Limited

Opinion

We have audited the unconsolidated financial statements of Sheppard Securities Limited (the "Company"), which comprise the unconsolidated statement of financial position as at February 29, 2020, and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity, and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

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

Auditor's responsibilities for the Audit of the Unconsolidated Financial Statements

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



Independent Auditor's Report (continued)

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

BDO

May 22, 2020

Port of Spain,
Trinidad, West Indies

Sheppard Securities Limited

Unconsolidated Statement of Financial Position

As at February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

	Notes	2020	2019
Assets			
Non-current assets			
Property and equipment	3	1,951,316	2,400,616
Right-of-use assets	4	2,201,324	-
Investment in subsidiary	5	951,579	951,579
Investment	6	1,370,159	8,526
Total non-current assets		6,474,378	3,360,721
Current assets			
Accounts receivable and prepayments	7	1,587,678	1,345,357
Cash and cash equivalents	8	148,368,186	89,393,919
Total current assets		149,955,864	90,739,276
Total assets		\$156,430,242	\$94,099,997
Equity and liabilities			
Equity			
Stated capital	9	2,062,500	2,062,500
Retained earnings		12,550,462	10,779,539
Total equity		14,612,962	12,842,039
Liabilities			
Non-current liabilities			
Lease liabilities	4	1,820,863	-
Long-term borrowings	10	59,636	107,952
Deferred tax liability	11	159,328	130,024
Total non-current liabilities		2,039,827	237,976
Current liabilities			
Funds held for clients	8	137,215,236	79,294,903
Short term borrowings	10	48,316	46,149
Lease liabilities	4	403,428	-
Accounts payable and accruals	12	963,304	777,260
Taxation payable	11	1,147,169	901,670
Total current liabilities		139,777,453	81,019,982
Total liabilities		141,817,280	81,257,958
Total equity and liabilities		\$156,430,242	\$94,099,997

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

These unconsolidated financial statements were approved by the Board of Directors of Sheppard Securities Limited on May 22, 2020.


Director


Director

Sheppard Securities Limited

Unconsolidated Statement of Comprehensive Income

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

	Notes	2020	2019
Revenue			
Management fee income		15,054,171	13,411,681
Commission income		11,391,278	9,200,970
Service income		786,200	551,317
Other income		271,987	157,654
		27,503,636	23,321,622
Direct costs			
Commission expenses		(3,126,605)	(2,148,705)
Service fees		(276,972)	(217,018)
		(3,403,577)	(2,365,723)
Gross profit		24,100,059	20,955,899
Administrative expenses	13	(19,636,413)	(17,526,927)
Profit before taxation		4,463,646	3,428,972
Taxation charge	11	(1,471,723)	(952,098)
Total comprehensive income for the year		\$2,991,923	\$2,476,874

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

Sheppard Securities Limited

Unconsolidated Statement of Changes in Equity

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

	Stated capital	Retained earnings	Total equity
Year ended February 29, 2020			
Balance as at March 1, 2019	2,062,500	10,779,539	12,842,039
Total comprehensive income for the year	-	2,991,923	2,991,923
Dividends paid	-	(1,221,000)	(1,221,000)
Balance as at February 29, 2020	\$2,062,500	\$12,550,462	\$14,612,962
Year ended February 28, 2019			
Balance as at March 1, 2018	2,062,500	9,523,665	11,586,165
Total comprehensive income for the year	-	2,476,874	2,476,874
Dividends paid	-	(1,221,000)	(1,221,000)
Balance as at February 28, 2019	\$2,062,500	\$10,779,539	\$12,842,039

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

Sheppard Securities Limited

Unconsolidated Statement of Cash Flows

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

	2020	2019
Cash flows from operating activities		
Profit before taxation	4,463,646	3,428,972
Adjustments for non-cash movements:		
Depreciation of property and equipment	500,385	609,005
Amortization of right-to-use asset	217,249	-
Interest expense on lease liability	51,520	-
Gain on disposal of assets	(218,724)	(130,454)
	5,014,076	3,907,523
Changes in working capital:		
(Increase)/decrease in accounts receivable and prepayments	(242,321)	122,383
Increase in funds held for clients	57,920,333	14,855,307
Increase/(decrease) in accounts payable and accruals	186,044	(498,149)
Taxes paid	(1,196,920)	(1,416,519)
Net cash provided by operating activities	61,681,212	16,970,545
Cash flows from investing activities		
Purchase of property and equipment	(126,361)	(935,466)
Proceeds from sale of property and equipment	294,000	250,000
Additional investment in subsidiary	-	(160,000)
Purchase of investment	(1,361,633)	-
Net cash used in investing activities	(1,193,994)	(845,466)
Cash flows from financing activities		
Dividends paid	(1,221,000)	(1,221,000)
Lease payments made	(245,802)	-
Increase in borrowings	-	191,000
Repayment of borrowings	(46,149)	(36,899)
Net cash used in financing activities	(1,512,951)	(1,066,899)
Net increase in cash and cash equivalents	58,974,267	15,058,180
Cash and cash equivalents as at beginning of year	89,393,919	74,335,739
Cash and cash equivalents as at end of year	\$148,368,186	\$89,393,919

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

1. Incorporation and business activities

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

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

2. Significant accounting policies

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

2.1 Basis of preparation

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

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

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

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

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

The Company adopted IFRS 16 with a transition date of March 1, 2019. Changes to these financial statements resulting from the adoption of this new standard are disclosed in Note 18.

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

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods but are not considered relevant to the Company and have not been disclosed.

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

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

2.2 Functional and presentation currency

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.3 Transactions and balances

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

2.4 Property and equipment

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

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

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

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

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

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

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

2.5 Leases

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.5 Leases (continued)

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

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

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

IFRS 16 was adopted on March 1, 2019, without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at March 1, 2019, see Note 18. The following policies apply subsequent to the date of initial application, March 1, 2019.

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

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

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

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.5 Leases (continued)

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

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

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

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

2.6 Investment in subsidiary

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments

(i) Financial Assets

Investment in Debt Instruments

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

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

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

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

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

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

Accounts receivable

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

Cash and cash equivalents

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

(i) Financial Assets (continued)

Recognition/de-recognition of financial assets

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

(ii) Impairment

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

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

(iii) *Expected credit loss measurement*

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

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

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

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

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

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

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

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

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

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

(vi) *Financial liabilities*

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.8 Stated capital

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

2.9 Borrowings

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

2.10 Funds held for clients

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

2.11 Accounts payable and accruals

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

2.12 Provisions

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

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

2.13 Revenue recognition

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

2.14 Direct costs and administrative expenses

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.15 Income tax

(a) Current income tax

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

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

The Corporation tax rate is 30% of chargeable income (2019: 30%)

(b) Deferred income tax

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

2.16 Fiduciary activities

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

2.17 Offsetting

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements For the year ended February 29, 2020 (Expressed in Trinidad and Tobago Dollars)

3. Property and equipment

	Furniture, fixtures and fittings	Motor vehicles	Software improvements	Leasehold improvements	Total
Year ended February 29, 2020					
Cost					
Cost as at March 1, 2019	1,618,412	1,056,339	838,514	721,878	4,235,143
Additions for the year	108,206	-	-	18,155	126,361
Disposals for the year	(49,502)	(294,000)	-	-	(343,502)
Cost as at February 29, 2020	1,677,116	762,339	838,514	740,033	4,018,002
Accumulated depreciation					
Accumulated depreciation as at March 1, 2019	(830,989)	(505,890)	(338,859)	(158,789)	(1,834,527)
Depreciation for the year	(155,400)	(121,990)	(166,535)	(56,460)	(500,385)
Depreciation on disposals	30,428	237,798	-	-	268,226
Accumulated depreciation as at February 29, 2020	(955,961)	(390,082)	(505,394)	(215,249)	(2,066,686)
Net book value as at February 29, 2020	\$721,155	\$372,257	\$333,120	\$524,784	\$1,951,316
Year ended February 28, 2019					
Cost					
Cost as at March 1, 2018	1,528,909	1,310,346	270,410	721,878	3,831,543
Additions for the year	155,023	212,339	568,104	-	935,466
Disposals for the year	(65,520)	(466,346)	-	-	(531,866)
Cost as at February 28, 2019	1,618,412	1,056,339	838,514	721,878	4,235,143
Accumulated depreciation					
Accumulated depreciation as at March 1, 2018	(724,142)	(681,072)	(136,404)	(96,224)	(1,637,842)
Depreciation for the year	(158,052)	(185,933)	(202,455)	(62,565)	(609,005)
Depreciation on disposals	51,205	361,115	-	-	412,320
Accumulated depreciation as at February 28, 2019	(830,989)	(505,890)	(338,859)	(158,789)	(1,834,527)
Net book value as at February 28, 2019	\$787,423	\$550,449	\$499,655	\$563,089	\$2,400,616

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

4. Leases

	Office premises	Office equipment	Total
Right-of-use asset			
Right-of-use asset as at March 1, 2019	-	-	-
Additions	2,222,183	196,390	2,418,573
Amortization	(154,318)	(62,931)	(217,249)
Right-of-use asset as at February 29, 2020	<u>\$2,067,865</u>	<u>\$133,459</u>	<u>\$2,201,324</u>
Lease Liability			
Lease liability as at March 1, 2019	-	-	-
Additions	2,222,183	196,390	2,418,573
Interest expense	44,178	7,342	51,520
Lease payments	(178,369)	(67,433)	(245,802)
Lease liability as at February 29, 2020	<u>\$2,087,992</u>	<u>\$136,299</u>	<u>\$2,224,291</u>

	up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Lease liabilities						
As at February 29, 2020	\$99,019	\$304,409	\$408,727	\$1,166,440	\$245,696	\$2,224,291

5. Investment in subsidiary

	2020	2019
Sheppard Insurance Brokers Limited (formerly Legacy Brokerage Services Limited) 80% shareholding (2019: 80%)	<u>951,579</u>	<u>951,579</u>
	<u>\$951,579</u>	<u>\$951,579</u>

Sheppard Insurance Brokers Limited's principal place of business and registered address is #5-7 Sweet Briar Road, St. Clair, Trinidad.

6. Investments

	2020	2019
Amortized cost		
Current		
Corporate bonds	<u>15,000</u>	-
	<u>15,000</u>	-
Non-current		
Corporate bonds	<u>1,346,633</u>	-
Government bonds	<u>8,526</u>	<u>8,526</u>
	<u>1,355,159</u>	<u>8,526</u>
	<u>\$1,370,159</u>	<u>\$8,526</u>

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

7. Accounts receivable and prepayments

	2020	2019
Prepayments	787,555	725,663
Due from related parties	310,725	370,326
Accounts receivable	276,675	247,287
Loans receivable	175,000	-
Staff receivables	37,723	2,081
	<u>\$1,587,678</u>	<u>\$1,345,357</u>

As at the year ends the accounts receivable balance comprises amounts which are less than 60 days overdue and are not considered impaired. No provision has been made for bad or doubtful debts (2019: nil).

8. Cash and cash equivalents

	2020	2019
Client funds	137,206,481	79,305,890
Cash at bank	11,161,705	10,088,029
	<u>\$148,368,186</u>	<u>\$89,393,919</u>

The above cash balance includes \$137,215,236 (2019: \$79,294,903) which represents cash held on behalf of clients in trust, the use of which is restricted.

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

9. Stated capital

Authorised capital

An unlimited number of common shares

An unlimited number of redeemable preferences shares

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

Issued capital

	2020	2019
1,820,000 common shares	1,905,000	1,905,000
30,000 redeemable non-voting non-participatory common shares	157,500	157,500
	<u>\$2,062,500</u>	<u>\$2,062,500</u>

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

10. Borrowings

The Company's borrowings comprise the following:

	2020	2019
Commercial instalment loan at 4.5% per annum	107,952	154,101
	<u>\$107,952</u>	<u>\$154,101</u>

The loan is secured by:

- Chattel Mortgage over a KIA Niro Dynamic motor vehicle
- Full comprehensive insurance noting First Citizens Bank Limited as first loss payee

	2020	2019
Long term portion	59,636	107,952
Short term portion	48,316	46,149
	<u>\$107,952</u>	<u>\$154,101</u>

11. Taxation

Deferred tax

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

	2020	2019
As at beginning of year	130,024	90,094
(Credit)/charge to unconsolidated statement of comprehensive income	29,304	39,930
As at end of year	<u>\$159,328</u>	<u>\$130,024</u>

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

11. Taxation (continued)

Taxation payable

	2020	2019
Corporation tax	1,071,544	835,985
Green fund levy	75,625	65,685
	<u>\$1,147,169</u>	<u>\$901,670</u>

Current tax

	2020	2019
Corporation tax	1,367,807	1,024,279
Green fund levy	82,511	69,965
Deferred tax charge	29,304	39,930
Prior year adjustment	(7,899)	(182,076)
	<u>\$1,471,723</u>	<u>\$952,098</u>

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

	2020	2019
Profit before taxation	4,463,646	3,428,972
Tax calculated at corporation tax rates	1,339,094	1,028,692
Income not subject to tax and allowances	(220,080)	(201,517)
Expenses not deductible for tax purposes	248,793	197,104
Green fund levy	82,511	69,965
Deferred tax charge	29,304	39,930
Prior year adjustment	(7,899)	(182,076)
	<u>\$1,471,723</u>	<u>\$952,098</u>

12. Accounts payable and accruals

	2020	2019
Accounts payable	748,627	340,570
Payroll liabilities	201,840	374,791
Accruals and other liabilities	12,837	61,899
	<u>\$963,304</u>	<u>\$777,260</u>

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

13. Administrative expenses

	2020	2019
Staff costs	5,911,836	9,979,128
Commissions paid	9,206,212	2,956,144
Software licenses	1,306,498	1,290,017
Depreciation and amortization	717,634	609,005
Rent expense	451,168	596,483
Professional fees	518,031	474,265
Insurance	291,188	320,497
Advertising and promotion	276,365	450,373
Computer and internet expenses	261,213	228,503
Dues and subscriptions	103,458	91,106
Office supplies	91,154	136,679
Training	88,118	18,377
Interest and penalties	63,323	10,306
Janitorial expense	56,805	51,483
Postage and delivery	50,344	47,735
Entertainment	41,977	10,002
Telephone expense	34,044	48,521
Utilities	33,970	30,588
Automobile expense	33,553	33,089
Business licenses and permits	24,875	36,504
Charitable contributions	18,060	15,403
Bank service charges	17,274	24,241
Travel expense	14,716	34,369
Repairs and maintenance	12,308	4,293
Subsistence	6,199	23,182
Loan interest	6,090	6,634
	\$19,636,413	\$17,526,927
Staff costs:		
Commission based salary	1,995,640	6,528,931
Fixed salary	2,759,058	2,587,018
Bonus	485,727	176,747
NIS	288,208	282,242
Allowances	228,048	65,587
Entertainment	79,200	79,200
Pension contribution	75,955	259,403
	\$5,911,836	\$9,979,128

14. Financial risk management

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

a) Liquidity risk

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

14. Financial risk management (continued)

a) Liquidity risk (continued)

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

	One to three months	Three to twelve months	One to five years	Total
As at February 29, 2020				
Liabilities				
Funds held for clients	137,215,236	-	-	137,215,236
Borrowings	11,877	36,439	59,636	107,952
Lease liabilities	99,019	304,409	1,820,863	2,224,291
Accounts payable and accruals	963,304	-	-	963,304
Total liabilities	\$138,289,436	\$340,848	\$1,880,499	\$140,510,783
As at February 28, 2019				
Liabilities				
Funds held for clients	79,294,903	-	-	79,294,903
Borrowings	11,350	34,799	107,952	154,101
Accounts payable and accruals	777,260	-	-	777,260
Total liabilities	\$80,083,513	\$34,799	\$107,952	\$80,226,264

b) Credit risk

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

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

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

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
As at February 29, 2020				
Investment at amortised cost	1,370,159	-	-	1,370,159
Accounts receivable	523,787	276,336	-	800,123
Cash and cash equivalents	148,368,186	-	-	148,368,186
	\$150,262,132	\$276,336	\$-	\$150,538,468
As at February 28, 2019				
Investment at amortised cost	8,526	-	-	8,526
Accounts receivable	413,015	206,679	-	619,694
Cash and cash equivalents	89,393,919	-	-	89,393,919
	\$89,815,460	\$206,679	\$-	\$90,022,139

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

14. Financial risk management (continued)

c) Market risk

i) Interest rate risk

Interest sensitivity of assets and liabilities

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

	Up to one year	One to five years	Over five years	Total
As at February 29, 2020				
Assets				
Investment at amortised cost	15,000	1,346,633	8,526	1,370,159
Accounts receivable	800,123	-	-	800,123
Cash and cash equivalents	148,368,186	-	-	148,368,186
Total assets	\$149,183,309	\$1,346,633	\$8,526	\$150,538,468
As at February 28, 2019				
Assets				
Investment at amortised cost	-	-	8,526	8,526
Accounts receivable	619,694	-	-	619,694
Cash and cash equivalents	89,393,919	-	-	89,393,919
Total assets	\$90,013,613	\$-	\$8,526	\$90,022,139

Sensitivity analysis

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

Change in interest rate:	Effect on Shareholders' Equity 2020	Effect on Shareholders' Equity 2019
+1%	\$1,505,385	\$900,221
-1%	\$(1,505,385)	\$(900,221)

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

14. Financial risk management (continued)

c) Market risk (continued)

ii) Foreign exchange risk

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

	TT	US	Other	Total
As at February 29, 2020				
Assets				
Investment at amortised cost	8,526	1,361,633	-	1,370,159
Accounts receivable	800,123	-	-	800,123
Cash and cash equivalents	86,242,441	61,701,377	424,368	148,368,186
	87,051,090	63,063,010	424,368	150,538,468
Liabilities				
Funds held for clients	86,027,166	50,679,731	508,339	137,215,236
Accounts payable	929,868	32,172	1,264	963,304
Lease liabilities	2,224,291	-	-	2,224,291
Borrowings	107,952	-	-	107,952
	89,289,277	50,711,903	509,603	140,510,783
Net currency gap	\$(2,238,187)	\$12,351,107	\$(85,234)	\$10,027,685
Effect on profit of 1% change in exchange rates		\$123,511	\$(852)	\$122,659
As at February 28, 2019				
Assets				
Investment at amortised cost	8,526	-	-	8,526
Accounts receivable	610,105	9,589	-	619,694
Cash and cash equivalents	68,504,421	20,854,094	35,404	89,393,919
	69,123,052	20,863,683	35,404	90,022,139
Liabilities				
Funds held for clients	66,833,248	12,268,338	193,318	79,294,904
Accounts payable	775,689	279	1,292	777,260
Borrowings	154,101	-	-	154,101
	67,763,038	12,268,617	194,610	80,226,265
Net currency gap	\$1,360,014	\$8,595,066	\$(159,206)	\$9,795,874
Effect on profit of 1% change in exchange rates		\$85,951	\$(1,592)	\$84,359

d) Capital management

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

14. Financial risk management (continued)

d) Capital management (continued)

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

15. Related party transactions and balances

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

	2020	2019
Key management compensation	\$1,796,363	\$5,192,858
Due from related parties		
Receivable from subsidiary	\$276,848	\$281,376
Receivable from other related parties	\$33,876	\$88,950
Due to related parties		
Payable to other related parties	\$373,793	\$257,193
Transactions with related parties		
Commissions paid to related parties	\$7,276,583	\$2,867,759
Income earned from subsidiary	\$26,148	\$34,776
Recharges for services provided to subsidiary	\$72,972	\$185,706
Expenses recharged from subsidiary	\$38,047	\$35,237
Staff reimbursements	\$7,624	\$8,637
Directors fees	\$17,500	\$10,000

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

16. Contingencies

On January 4, 2012, the Company entered into an agreement with Pershing LLC, a subsidiary of The Bank of New York Mellon, to provide trading and other auxiliary services in the global financial markets on a fully disclosed basis. This agreement requires the Company to guarantee minimum revenue to Pershing of US\$50,000 per calendar quarter. During the financial year ended February 29, 2020, the Company met its minimum obligation.

17. Fiduciary activities

The Company provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these financial statements as they are not the assets of the Company. These assets under administration at February 29, 2020 totalled \$4,707,166,591 (2019: \$4,314,910,009).

18. Effect of change in accounting policy

The Company adopted IFRS 16 with a transition date of March 1, 2019. The Company has chosen not to restate comparatives, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. March 1, 2019) and recognised in the opening equity balances.

Effective March 1, 2019, IFRS 16 has replaced IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

18. Effect of change in accounting policy (continued)

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application, without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is/or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after March 1, 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

Initial Recognition

Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at March 1, 2019. The Company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The rate applied was 5%.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at March 1, 2019:

	As originally presented (February 28, 2019)	IFRS 16	March 1, 2019
Property, plant and equipment (Right of Use asset)	\$-	\$2,418,573	\$2,418,573
Lease liability	\$-	(\$2,418,573)	(\$2,418,573)

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 29, 2020

(Expressed in Trinidad and Tobago Dollars)

19. Subsequent events

Management evaluated all events that occurred from March 1, 2020, through May 22, 2020, the date the unconsolidated financial statements were available to be issued. During the period, the Company did not have any subsequent events requiring recognition or disclosure in the unconsolidated financial statements.



Sheppard Securities Limited
Statement of Financial Position
As at 31st August 2020

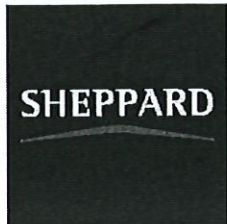
	<i>Note</i>	Aug-20 TTD	Feb-20 TTD
Assets			
Non-Current Assets			
Property, Plant & Equipment	1	1,664,947	1,951,317
Right of use Asset		2,201,324	2,201,324
Investment in Subsidiary		951,579	951,579
Investments		1,312,800	1,370,159
		6,130,650	6,474,379
Current Assets			
Accounts Receivable	3	1,217,030	1,408,239
Loans to Clients		75,000	175,000
Cash at Bank	2	105,617,564	148,368,186
		106,909,594	149,951,426
Total Assets		113,040,245	156,425,804
Equity and Liabilities			
Equity			
Stated Capital		2,062,500	2,062,500
Retained Earnings		12,809,697	12,550,463
Total Equity		14,872,197	14,612,963
Non-current liabilities			
Long-term borrowings		84,074	107,952
Lease Liability		2,224,291	2,224,291
Deferred Tax Liability		159,328	159,328
		2,467,694	2,491,572
Current Liabilities			
Funds Held for Clients		93,996,483	137,215,236
Accounts Payable	4	535,935	960,433
Taxation Payable		1,167,935	1,145,601
Total current liabilities		95,700,353	139,321,270
Total liabilities		98,168,047	141,812,842
Total equity and liabilities		113,040,245	156,425,804



ATTACHMENT 7: REGISTRATION AND DISCIPLINARY HISTORY

Question No.	Detail
2a	<p>Applicant Sheppard Securities is registered as a Broker-Dealer under the Securities Industries Act / Securities Act 2012</p> <p>Affiliates 3 Directors of Sheppard Securities are registered under the Securities Act as Brokering Representatives and 1 of the Directors are registered as an Advising representative.</p>
2b	<p>Applicant Sheppard Securities is registered as a Broker-Dealer under the Securities Industries Act / Securities Act 2012</p> <p>Affiliates 3 Directors of Sheppard Securities are registered under the Securities Act as Brokering Representatives and 1 of the Directors are registered as an Advising representative.</p>
3b	<p>Applicant Sheppard Securities Limited is licensed to carry on the business of a Moneylender.</p> <p>Affiliate Sheppard Insurance Brokers Limited formerly Legacy Brokerage Services Limited was registered as an Insurance Broker with the Central Bank of Trinidad and Tobago.</p>
4a	<p>Applicant Sheppard Securities Limited is a member of the SDATT – Securities and Dealers Association of Trinidad and Tobago Sheppard Securities Limited is a participant member of TTCD – Trinidad and Tobago Central Depository</p> <p>Affiliate Sheppard Insurance Brokers Limited is a member of the Insurance Brokers Association of Trinidad and Tobago</p>
5	<p>Affiliate</p>

	Sheppard Insurance Brokers Limited formerly Legacy Brokerage Services Limited, an affiliate of Sheppard Securities Limited, is in the business of brokering insurance for its clients
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Required Attachment from Checklist :8

Description of activities that the applicant conducts in relation to its registration

OVERVIEW:

Founded in 2009, Sheppard Securities Limited is a fast-growing, full-service independent securities brokerage, with an exclusive focus on helping private and institutional clients manage their wealth through comprehensive financial planning as well as efficient portfolio optimization and management. With access to 65 exchanges in 60 different countries, our highly qualified team offers endless investment opportunities in every major market and security type. By using the most cutting-edge technology platforms, we guarantee a first-class service that is confidential, transparent and tailored to our clients' needs. Committed to upholding our core values of integrity, trust, skill and timeliness, our impressive track record and growing client base have proven Sheppard Securities' ability to provide expert financial advice and a superior customer experience.

PRODUCTS:

In order to identify, acquire and maintain the appropriate financial instruments to suit the unique circumstances of each client, Sheppard Securities Limited has developed a strong network of relationships with leading financial institutions both locally and internationally. This allows us access to the purchase or sale of a wide variety of securities, including but not limited to, money market and other mutual funds, government and government agency bonds, corporate bonds and equities. We clear through Pershing LLC, a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon) and this relationship grants us access to the entire global network of the Bank of New York Mellon. In keeping with our pillars of integrity and trust, we ensure that all portfolios are aligned with individual client risk and return profiles; and through the regular rebalancing of each portfolio that may have deviated from the original target asset allocation, we maintain each client's investment goals.

Our state-of-the-art portfolio accounting system enables the reconciliation of positions and the pricing of securities on a daily basis, and also facilitates the generation of consolidated GIPS-compliant account reports and statements, which can be provided electronically or in paper form.

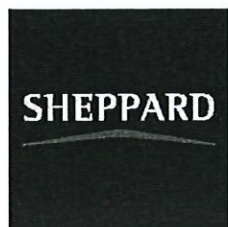


Form 2A- Required Attachments 1c.

**Description of activities that the applicant conducts in relation to its registration
(Continued)**

SERVICES:

As the premier independent wealth advisor to private individuals and institutions in the Caribbean, Sheppard Securities Limited focuses exclusively on wealth management in order to provide an objective, unbiased service driven by integrity and skill. With an expansive network of financial management and planning relationships locally and across the globe, we offer unprecedented investment opportunities and alternatives. We continue to build and improve our portfolio management capabilities and our portfolio optimization techniques through the use of the most advanced technology platforms; and by prioritizing in-depth client consultations, we provide tailored investment strategies and solutions to suit each client's unique demands, whether their goal is the focus on safety of principal in the local environment or developing their global portfolio. As part of our commitment to providing a superior client experience, we are the only brokerage currently offering consolidated online access, recently upgraded to include daily performance data and benchmark comparisons.



Attachment 9 : List of Directorships held in other companies by the applicant's current serving directors

Name	Directorship
George David Sheppard	<ul style="list-style-type: none">• Sheppard Insurance Brokers Limited• Haleland Park Residents Association• Waste Disposals (2003) Limited• Envirotec Holdings Limited• Pelagic Transfer on Death Limited• Ainfield Investment Advisory Limited
Alan Sheppard	<ul style="list-style-type: none">• Sheppard Insurance Brokers Limited• Primus Advisory Limited• Pelagic Transfer on Death Limited• Securities Dealers Association of Trinidad & Tobago
Leah Kimberley Thompson	<ul style="list-style-type: none">• Sheppard Insurance Brokers Limited• Pelagic Transfer on Death Limited
Greig Laughlin	<ul style="list-style-type: none">• Laughlin & de Gannes• Process Components Limited• Export Import Bank of Trinidad & Tobago (EXIMBANK)
Sophie J. Taylor	<ul style="list-style-type: none">• Trendsetter Charters Limited• Ainfield Investment Advisory Limited• Pelagic Transfer on Death Limited
Victoria Crooks	<ul style="list-style-type: none">• Andrah Holdings Limited• La Burnam Place Management
Joanna Rostant	<ul style="list-style-type: none">• YAY Entertainment Limited• Dunross Preparatory School

* AMENDED ANNUAL RETURN FILED ON JANUARY 27TH 2021
DATED JANUARY 23RD 2020

FORM 28

REPUBLIC OF TRINIDAD AND TOBAGO

THE COMPANIES ACT, CH. 81:01
[Section 194(1)]



ANNUAL RETURN OF A COMPANY FOR PROFIT INCORPORATED,
CONTINUED OR AMALGAMATED UNDER THE ACT



1. Name of Company Sheppard Securities Limited 2. Company No. S5842(95)

3. Registered Office of Company 5-7 Sweet Briar Road, St. Clair, TRINIDAD, W.I.

4. (a) Anniversary Date of ☒ Incorporation 5th January 2020 ☐ Continuance ☐ Amalgamation

4. (b) Share Capital			Issued by Company in the last financial period		Purchased/Redeemed by Company in the last financial period	
Class of Shares	Number issued and outstanding	Amount of stated capital	Number of shares	Amount of stated capital	Number of shares	Reduction of stated capital
Common Shares	1,820,000	\$1,905,000.00	NIL	NIL	NIL	NIL
Redeemable Preference Shares	NIL	NIL	NIL	NIL	NIL	NIL
Redeemable Non-Voting Non-Participatory Common Shares	30,000	\$157,500.00	NIL	NIL	NIL	NIL

5. AUTHORIZED SHARE CAPITAL, IF ANY

Class of Shares	Number of Shares in each Class
1. Common Shares	Unlimited
2. Redeemable Preference Shares	Unlimited
3. Redeemable Non-Voting Non-Participatory Common Shares	Unlimited
4.

* 6. List of persons holding shares in the company on the 5th day of January 2020, and of persons who have held shares therein at any time since the date of the last return, or (in the case of the first return) of the incorporation, continuance or amalgamation of the company, showing their names and addresses and an account of the shares so held.

Name	Address/ Registered Office	Occupation/Status	Class of Shares and Number Held at date of Return
George David Sheppard and Sophie Taylor	42B Mace Place, Haleland Park Maraval	Stockbroker/ Office Manager	Common Shares 1,250,000
David Taylor and Simone Taylor	209 Pineapple Place, Haleland Park Maraval	Electrical Engineer/ Housewife	Common Shares 500,000
Alan Michael Sheppard and Monique Sheppard	#59 Pinewood Drive, Goodwood Gardens, Diego Martin	Investment Advisor/ Housewife	Common Shares 70,000
Leah Kimberley Thompson	19 Schneider Gardens Petit Valley	Operations Manager	Redeemable Non-Voting Non Participatory Common Shares 10,000
Marc Pereira	21 Long Circular Road St. James	Investment Advisor	Redeemable Non-Voting Non Participatory Common Shares 10,000
Victoria Crooks	50 Ellerslie Plark, St. Clair	Trading Manager	Redeemable Non-Voting Non Participatory Common Shares 10,000

ACCOUNTS OF SHARES		REGISTERED		
Particulars of Shares transferred since the date of the last Return or (in the case of the first Return) of the incorporation of the Company, or of its continuance, by persons who are still Shareholders	Particulars of Shares transferred since the date of the last Return or (in the case of the first Return) of the incorporation of the Company, or of its continuance, by persons who have ceased to be Shareholders			
Class of shares and Number at date of Return	Date of Registration of Transfer	Class of Shares and Number at date of Return	Date of Registration of Transfer	Remarks
N/A				

Date	Signature	Title
MARCH. 3 RD 2020	<i>[Signature]</i>	DIRECTOR.

7. Total amount of the indebtedness of the Company in respect of all mortgages and charges of the kind which are required to be registered with the Registrar under the Companies Act \$1,15,790.44.....

8. The directors of the company as of the date of the Annual Return are:

Name	Address	Occupation
See attached Schedule A		

9. The secretary/assistant secretary(ies) of the company as of the date of the Annual Return is/are:


Name	Address/Registered Office Principal Place of Business	Occupation/Status
Sophie Jacqueline Taylor	42B Mace Place, Haleland Park, Maraval	Office Manager

10. Particulars of share warrants or bearer share warrants surrendered to the company pursuant to section 33(7) or cancelled under section 33(10):

Share Warrant/ Bearer Share Warrant	Serial Number(s)	Date of Surrender	Date of Cancellation
N/A			

11. Particulars of holders and beneficial owners of shares in the company as of the date of the Annual Return:

Names, Addresses and Occupation/ Status of Holder(s) of Shares				Names, Addresses and Occupation of Beneficial Owner(s)				Class of shares and Number held at date of Return	
Given Name(s) & Surnames/ Company Name	Address/ Registered Office	Occupation/ Status	Nationality/ Jurisdiction of Incorporation/ Formation	Given Name(s) & Surnames	Address	Occupation	Nationality	Class of Shares	Number of Shares held
BENEFICIAL OWNERSHIP INFORMATION HAS NOT YET BEEN ASCERTAINED IN ACCORDANCE WITH SECTION 337B OF THE COMPANIES ACT									

12.	Date	Name and Title	Signature
	MARCH 3 RD 2020	SOPHIE J. TAYLOR, SECRETARY	



CH-8110

THE COMPANIES ACT, CH. 81:01

ANNUAL RETURN OF A COMPANY FOR PROFIT INCORPORATED,
CONTINUED OR AMALGAMATED UNDER THE ACT

FORM 28

INSTRUCTIONS

Format

Documents required to be sent to the Registrar pursuant to the Act must conform to regulation 3 of the Regulations under the Act.

Items 1, 2

Set out the full legal name of the company, and except where a number has not been assigned, state the company number.

Item 3

State full address of registered office of company.

Item 4

State the anniversary of incorporation, continuance or amalgamation under the Act. Tick the appropriate box. N.B.-this Return is due "not later than the thirty days after each anniversary date of its continuance, incorporation or amalgamation" under the Act [section 194(1)].

In the case of a company being continued, state "Not Applicable" or "N/A" in Item 4(b)

Item 5

State class(es) of shares by distinctive name or other form of designation and total number of shares in each class.

Item 6

- (i) State same date as at Item 4 above.
- (ii) State full name of each shareholder, whether a natural person or a corporation.
- (iii) State address (if a natural person) or registered office (if a corporation).
- (iv) State occupation/calling (if a natural person) or status (i.e., "corporation"/"limited" or "unlimited liability company") (if a corporation).
- (v) State class of shares as per 5 above and number held by each existing shareholder at date of Return.
- (vi) State particulars of shares transferred since the date of the last return or since the date of incorporation, continuance or amalgamation of the company by persons who are still shareholders or who have ceased to be shareholders, as the case may be.

In either case, state the following:

- the number of shares transferred.
- the relevant class(es) of the shares transferred.
- the date of registration of each transfer of shares.
- Insert the name of the *transferee* (the person to whom the shares have been transferred) in the "Remarks" column immediately opposite the particulars of each transfer. N.B.-the particulars of transfer should be placed opposite the name of the *transferor* (the person who has transferred the shares) and not opposite that of the transferee.

Item 8

With respect to each director:

- (a) set out first given name, middle name and family name;
- (b) state full address; and
- (c) specify other occupation clearly. Where possible, specify area of speciality e.g., electrical engineer. In the case of an individual who has no business occupation, but who holds any other directorships, particulars of that other directorship or at least one of those other directorships should be stated. In the case of an individual who has no other business occupation or directorship of any kind, state "Not applicable" or "N/A".

Item 9

- (a) In the case of an individual, set out first given name, middle name and family name; or
- (b) In the case of a firm or corporation, set out the registered name.
- (c) In the case of (a), state full address, in the case of (b), state principal place of business or registered office, as the case may be.
- (d) In the case of an individual, specify other business occupation clearly. Where possible, specify area of speciality e.g., electrical engineer. In the case of an individual who has no business occupation, but who holds any other secretaryship or secretaryships, particulars of that other secretaryship or at least one of those other secretaryships should be stated. In the case of an individual who has no other business occupation or secretaryship of any kind, state "Not applicable" or "N/A".
- (e) In the case of a firm or corporation set out status e.g., "firm of accountants" or "company incorporated under the laws of Trinidad and Tobago" (or elsewhere).

Item 10

Set out information as specified (e.g. in the first column state the type of instrument i.e., whether a share warrant or bearer share warrant) if there are no serial numbers available, please indicate "Not applicable" or "N/A".

Item 11

Please set out all details of beneficial ownership information (as indicated) as at the date of the Annual Return.

NOTE: The Companies Act, Chapter 81:01 (as amended by the Companies Amendment) Act requires the disclosure of beneficial ownership information, (and any changes) with penalties for non-compliance.

Signature

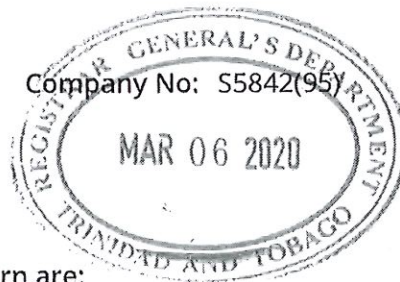
A director or authorised officer of the company shall sign a return.

Completed documents, in duplicate, and the prescribed fees are to be filed at the office of the Registrar and one set of the duplicate originals would be returned to the company or its representative with the endorsement "Registered" and the date of registration.

Company Name: Sheppard Securities Limited

Company No: S5842(95)

Schedule A



8. The directors of the company as of the date of the Annual Return are:

Name	Address	Occupation
George David Sheppard	42B Mace Place, Haleland Park, Maraval	Stockbroker
Sophie Taylor	42B Mace Place, Haleland Park, Maraval	Office Manager
Alan Michael Sheppard	64 Pinewood Gardens, Diego Martin	Sales Manager
Leah Kimberley Thompson	19 Schneider Gardens, Petit Valley	Operations Manager
Greig Laughlin	37 Dundonald Street, Port-of-Spain	Managing Director
Victoria Crooks	50 Ellerslie Park, St. Clair	Trading Manager
Joanna Rostant	43A Hillrise Road, Blue Range, Diego Martin	CEO and Director

REGISTERED





