

LOM FINANCIAL LIMITED

**Consolidated Financial Statements
and Independent Auditors' Report**

**For the years ended
December 31, 2020 and 2019**

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders of
LOM Financial Limited:

We have audited the accompanying consolidated financial statements of LOM Financial Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LOM Financial Limited and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the five-year comparison table in Note 16 is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplementary information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte Ltd.


April 26, 2021

LOM FINANCIAL LIMITED
CONSOLIDATED BALANCE SHEETS
as of December 31, 2020 and 2019
(expressed in U.S. Dollars)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 8,491,542	\$ 5,059,652
Restricted cash	220,000	220,000
Securities owned, at fair value (cost: 2020 - \$4,100,903; 2019 - \$4,472,016) (Note 3)	5,466,674	4,963,062
Accounts receivable (Note 2)	844,751	861,699
Due from related parties	46,181	44,146
Prepaid expenses and other assets	431,405	311,758
Equity investment in affiliate (Note 4)	1,606,396	1,394,656
Property and equipment, net (Note 5)	8,168,006	8,522,266
Deferred Tax Asset	22,423	54,770
TOTAL ASSETS	<u>\$ 25,297,378</u>	<u>\$ 21,432,009</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 747,748	\$ 722,032
Securities sold short, at fair value (proceeds: 2020 - \$4,277, 2019 - \$16,875) (Note 3)	4,277	16,875
Bank loan (Note 10)	237,500	327,500
TOTAL LIABILITIES	<u>989,525</u>	<u>1,066,407</u>
SHAREHOLDERS' EQUITY		
Common shares, par value \$0.10 per share; 20,000,000 shares authorized, and 5,203,698; (2019 - 5,491,628) shares issued and outstanding (Note 6)	520,370	549,163
Additional paid-in capital	866,907	1,637,264
Retained earnings	22,920,576	18,179,175
TOTAL SHAREHOLDERS' EQUITY	<u>24,307,853</u>	<u>20,365,602</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 25,297,378</u>	<u>\$ 21,432,009</u>

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors:



Director



Director

LOM FINANCIAL LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended December 31, 2020 and 2019
(expresses in U.S. Dollars)

	2020	2019
REVENUES		
Broking fee income	\$ 6,424,273	\$ 3,845,118
Management and investment advisory fees including related party management fees of \$2,464,070 (2019 - \$2,435,682)	5,546,378	5,418,864
Net interest income, net of interest expense of \$182,168 (2019 - \$158,640)	831,555	1,654,961
Rental income, including related party rent of \$212,750 (2019 - \$264,392)	581,676	756,812
Other income	421,223	431,200
Income from equity investment in affiliate	211,740	250,966
Foreign exchange income, net	579,663	501,541
Net trading gains/(losses) on securities owned	2,801,210	(87,847)
Corporate finance income	48,578	83,009
Administration and custody fees	161,437	124,637
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TOTAL REVENUES	\$ 17,607,733	\$ 12,979,261
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OPERATING EXPENSES		
Employee compensation and benefits	\$ 4,304,902	4,190,774
Commissions and referral fees	4,447,220	3,570,088
Computer and information services	675,073	636,554
Depreciation of property and equipment (Note 5)	417,861	415,204
Jitney fees	826,037	520,837
Professional fees	725,739	624,582
Occupancy	799,681	811,855
Administration	276,502	625,186
Insurance	213,108	200,398
Custodial charges	248,128	208,888
Mortgage interest	15,416	35,451
Net foreign exchange transaction (gains)	(169,903)	(66,476)
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TOTAL OPERATING EXPENSES	12,779,764	11,773,341
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NET INCOME BEFORE TAX	4,827,969	1,205,920
Income tax (expense)/benefit	(32,347)	54,770
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NET INCOME AFTER TAX	\$ 4,795,622	\$ 1,260,690
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NET INCOME PER COMMON SHARE		
Basic and diluted	\$ 0.90	\$ 0.22
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WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic and diluted	5,436,115	5,714,885
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The accompanying notes are an integral part of these consolidated financial statements.

LOM FINANCIAL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the years ended December 31, 2020 and 2019
(expresses in U.S. Dollars)

	<u>Common Shares</u>	<u>Share Capital</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance– December 31, 2018	5,887,278	\$ 588,728	\$ 2,694,505	\$ 16,977,212	\$ 20,260,445
Net income	-	-	-	1,260,690	1,260,690
Repurchase and retirement of common shares	(395,650)	(39,565)	(1,057,241)	-	(1,096,806)
Dividend	-	-	-	(58,727)	(58,727)
Balance – December 31, 2019	5,491,628	549,163	1,637,264	18,179,175	20,365,602
Net income	-	-	-	4,795,622	4,795,622
Repurchase and retirement of common shares	(287,930)	(28,793)	(770,357)	-	(799,150)
Dividend	-	-	-	(54,221)	(54,221)
Balance– December 31, 2020	<u>5,203,698</u>	<u>\$ 520,370</u>	<u>\$ 866,907</u>	<u>\$ 22,920,576</u>	<u>\$ 24,307,853</u>

The accompanying notes are an integral part of these consolidated financial statements.

LOM FINANCIAL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2020 and 2019
(expressed in U.S. Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,795,622	\$ 1,260,690
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment	417,861	415,204
Income from equity investment in affiliate	(211,740)	(250,966)
Dividends received from equity investment in affiliate	-	127,750
Profit on disposal of property and equipment	-	(563)
Changes in operating assets and liabilities:		
Securities owned	(503,612)	(309,362)
Accounts receivable	16,948	(134,224)
Due from related parties	(2,035)	2,025
Prepaid expenses and other assets	(119,647)	8,291
Accounts payable and accrued liabilities	25,716	(73,680)
Securities sold short, at fair value	(12,598)	(79,946)
Charge (benefit) for deferred taxes	32,347	(54,770)
Total adjustments	<u>(356,760)</u>	<u>(350,241)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,438,862</u>	<u>910,449</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(63,601)	(198,753)
Proceeds on disposal of property and equipment	-	981
NET CASH USED IN INVESTING ACTIVITIES	<u>(63,601)</u>	<u>(197,772)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of common shares	(799,150)	(1,096,806)
Dividend paid	(54,221)	(58,727)
Bank loan, net of repayments	(90,000)	(490,000)
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(943,371)</u>	<u>(1,645,533)</u>
NET (INCREASE)/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,431,890	(932,856)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,279,652	6,212,508
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,711,542</u>	<u>\$ 5,279,652</u>

The accompanying notes are an integral part of these consolidated financial statements.

LOM FINANCIAL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)
for the years ended December 31, 2020 and 2019
(expressed in U.S. Dollars)

	2020	2019
CASH AND CASH EQUIVALENTS REPRESENTED BY:		
Cash	8,491,542	5,059,652
Restricted cash	220,000	220,000
	\$ 8,711,542	\$ 5,279,652
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 182,168	\$ 158,640

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

1. DESCRIPTION OF BUSINESS

LOM Financial Limited (“LOMFL”), a holding company for several wholly owned subsidiaries, was incorporated on May 1, 1996 under the laws of Bermuda. The common shares of LOMFL are publicly traded and listed on the Bermuda Stock Exchange. LOMFL, collectively, with its subsidiaries, is referred to as the “Company” or the “LOM Group of Companies.”

A description of the operations of LOMFL’s wholly-owned subsidiaries is as follows:

LOM Financial (Bermuda) Limited (“LOMF BDA”) was incorporated in 1998 to provide investment and financial advice, brokerage services and discretionary investment management services. LOMF BDA is domiciled and operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda. LOMF BDA opened a branch office in Grand Cayman in January 2019, LOM Financial Cayman (“LOMF CAY”). LOMF CAY is registered with the Cayman Islands Monetary Authority with an "excluded person" exemption to the Cayman Securities Investment Business Law (SIBL); LOMF CAY is regulated by the Bermuda Monetary Authority and comes under LOMF BDA's investment business license.

LOM Financial (Bahamas) Limited (“LOMF BAH”) was incorporated in 2001 in the Commonwealth of The Bahamas and is regulated by the Securities Commission of the Bahamas. LOMF BAH is domiciled in the Bahamas and is engaged in a single line of business as a Bahamian broker-dealer, which comprises several classes of service, including principal transactions, agency transactions and the provision of investment advisory services.

LOM Asset Management Limited was incorporated in 1995 to offer its services as investment consultant, manager and advisor. LOM Asset Management Limited is domiciled and operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda.

Global Custody & Clearing Limited (“GCCL”) was incorporated in 1992, to provide custody, settlement, information technology and execution services as well as certain finance, human resources and administrative services to other companies in the LOM Group of Companies. GCCL operates in Bermuda and is regulated under the Investment Business Act (2003) of Bermuda.

LOM Properties Limited was incorporated in 1996 to hold property for LOMFL in Bermuda and Bahamas.

LOM Corporate Finance Ltd. (“LOMCF”) was incorporated in 1998 to offer services to source, value, document and close capital investments in growing companies. LOMCF is domiciled and operates in Bermuda.

Donald & Co. Limited, a Bermuda company, was incorporated in 2013 to perform nominee services.

LOM Nominees Limited, a Bermuda company, was incorporated in 1994 to perform nominee services.

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

1. DESCRIPTION OF BUSINESS (Cont'd)

LOM (UK) Limited was incorporated in the United Kingdom in 2004 to market the LOM Group of Companies services to intermediaries in Europe. It also provides IT, Marketing and Administration services to the LOM Group of Companies.

LOM Global Admin Inc. was incorporated in the Philippines in 2016 to provide the group with marketing support in Asia. The Company is registered with the Philippines Securities and Exchange Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Certain of the prior year balances have been reclassified to conform to the presentation adopted for the current year.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements include the financial statements and results of operations of all wholly-owned subsidiaries listed in Note 1 above. All inter-company balances and transactions are eliminated on consolidation.

Broking Fee Income and Jitney Fees

Broking fee income represents amounts charged to clients for brokerage services and related jitney fees are amounts charged to the Company by the executing broker. Revenue and expenses related to brokerage services is recognized when the customer obtains the benefit of such services, at the time of trade execution.

Management and Investment Advisory Fees

The LOM Group of Companies receives management fees and investment advisory fees for managing assets on a discretionary basis for both private and institutional clients. Revenue from contracts with customers related to management fee, is recognized over time as customers benefit from the services as they are performed.

Substantially all investment management fees are determined by the value of assets under management. At contract inception, no revenue is estimated as the fees are dependent on assets under management which are susceptible to market factors outside of the Company's control.

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Management and Investment Advisory Fees (cont'd)

Therefore, substantially all Investment Management services revenue is recognized using a time-based output method as the customers benefit from the services over time and as the assets under management are known or determinable during each reporting period based on contractual fee schedules.

The LOM Group of Companies also earns management fees from the following mutual funds (collectively referred to as the LOM Sponsored Funds), which are recorded on an accrual basis and recognized on a monthly basis, based on the net asset values:

- LOM Funds SAC Limited (listed on the Bermuda Stock Exchange)
 - a. LOM Money Market Fund (USD, CAD, GBP)
 - b. LOM Fixed Income Fund (USD, CAD, EUR, GBP)
 - c. LOM Equity Growth Fund
 - d. LOM Balanced Fund
 - e. LOM Stable Income Fund
 - f. LOM Emerging Market Fund
- LOM Junior Resources Fund Limited
- Burnaby Special Funds SAC Ltd.
 - a. Burnaby QGF Fund

The Company also earns a performance fee on the LOM Emerging Markets Fund. This fee is 20 percent of the increase in the value of the NAV above the prior quarter's NAV provided the quarterly performance is positive and the Fund NAV exceeds the 'high water market' level. The high watermark is defined as the NAV for the latest quarter for which a fee was crystallized and paid. This fee was discontinued from July 6, 2019 onwards.

Foreign Exchange Income, net

Foreign exchange income represents income earned from foreign currency transactions facilitated for customers and are based on the current foreign exchange rates, and is net of foreign exchange fees charged by external brokers. Electronic foreign exchange (FX) services are dependent on the volume of actual transactions initiated through the Company's electronic exchange platforms. Revenue is recognized over time using a time-based measure as access to, and use of, the electronic exchange platforms is made available to the customer and the activity is determinable. A spread is captured by the Company at the time of an FX execution and a gain/loss is then booked monthly based on the market movement of those positions.

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Corporate Finance Income

Corporate finance income consists of fees earned from clients participating in private placements of securities, generally for privately held companies, and is received in the form of cash, securities or warrants from its underlying investments. When corporate finance income is received in the form of securities, the Company records income based on the fair value of the securities received as of the date of the transaction. Fair value is the last reported sales price on the main market in which the investments trade on the date of valuation. Where there are no sales on that day, the mid-market prices are used. Where income is received in the form of warrants, the Board of Directors determines a price based on the fair value of the warrant.

Administration and Custody Fees

Administration fees, charged for the administrative and custodial services provided to the LOM Sponsored Funds, are recorded on an accrual basis over the period during which the service is provided. Revenue from contracts with customers related to custody fee revenue, is recognized over time as customers benefit from the services as they are performed. Substantially all custody fee revenue fees are determined by the value of assets under management. At contract inception, no revenue is estimated as the fees are dependent on assets under management which are susceptible to market factors outside of the Company's control.

Net Interest Income

Net interest income is a combination of interest earned on or paid to clients based on their daily cash balances and interest received or paid on the Company's cash balances from and to brokers, custodians and related parties (see Note 8). Revenue related to interest income is recognized over time as customers benefit from the services as they are performed. All interest revenue fees earned from customers are determined by the value of the customers overdrawn cash positions with the daily interest charged on that daily balance. Interest amounts are charged to clients on a monthly basis. At contract inception, no revenue is estimated as the fees are dependent on the client's cash balance.

Other Income

Other income earned includes fees for settlement of client investment transactions and dividends received related to the Company's investments. Fees earned for settlement of client investment transactions and dividends received related to the Company's investments are recorded on a transaction date basis.

Rental Income

Rental income consists of rent earned from the lease of office space in the Company owned office building and includes rent from related parties and is recorded on an accrual basis (See Note 8).

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and Cash Equivalents

The Company has defined cash equivalents as highly liquid investments, with original maturities of 90 days or less that are not held for sale in the ordinary course of business. Cash and cash equivalents can include time deposits, money market funds and U.S. Treasury bills with original maturities of 90 days or less.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. The costs of normal maintenance and repairs are charged to expense in the year incurred. Expenditures which significantly improve or extend the life of an asset are capitalized and depreciated over the asset's remaining useful life.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of the life of the asset or the remaining lease term. Upon sale or disposition of an asset, the related cost and accumulated depreciation are removed and the resultant gain or loss, if any, is reflected in earnings.

The useful lives of the Company's assets are as follows:

Building	40 years
Computer hardware and software	3 - 5 years
Furniture and fittings	4 years
Leasehold improvements	4 - 6 years
Equipment	4 years

Unclaimed Cash and Securities

Client funds received and unclaimed after a three-year period are included as income under the category of other income. Securities received and unclaimed after a five-year period are sold and included as income under the category of other income.

Foreign Currency Transactions and Balances

The Company has adopted U.S. Dollars as its functional currency for LOMFL and all subsidiaries (including LOM (UK) Limited and Global Admin Inc.) because the majority of the Company's transactions and assets under management are denominated in U.S. Dollars. Bermuda Dollars and Bahamian Dollars trade at par with the U.S. Dollar; therefore, no foreign currency translation gains or losses are recorded in the accompanying consolidated financial statements. Foreign currency transaction gains or losses are recorded at the prevailing foreign exchange rates on the date of the transaction and are reflected in earnings for the year in the accompanying consolidated statement of operations.

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Securities Owned

Securities owned are investments such as bonds and equities that are both marketable and non-marketable. These investments consist of trading investments, securities received as income from corporate finance transactions, privately held securities, and other strategic investments. Realized and unrealized gains or losses on trading securities and strategic investments are reflected in earnings as net trading gains and losses in the consolidated statements of operations. Realized gains or losses are based on the average cost method of securities purchased and sold. Security transactions are recorded on a trade date basis. Marketable securities are valued at the last reported sales price on the principal market in which the investments trade on the date of valuation. Where there are no sales on that day, the mid-market prices are used. For securities with no readily available market price or where the security is restricted, the securities are recorded at the estimated fair value in accordance with U.S. GAAP. The use of different assumptions or valuation techniques could produce materially different estimates of fair value. These securities have been valued with reference to observable and unobservable inputs or valuation models that make use of certain quantitative and qualitative inputs for similar securities traded in active markets, in accordance with U.S. GAAP (see Note 3, Fair Value Measurements).

Investments Recorded Under the Equity Method

For investments in entities that do not constitute a Variable Interest Entity (“VIE”), or for investments in securities owned and held as trading investments which are held at fair value, the Company considers other U.S. GAAP guidance, as required, in determining (i) consolidation of the entity if the Company’s ownership interests comprise a majority of its outstanding voting shares or otherwise control the entity, or (ii) application of the equity method of accounting if the Company does not have direct or indirect control of the entity, with the initial investment carried at cost and subsequently adjusted for the Company’s share of net income or loss and cash contributions and distributions to and from these entities.

If events or circumstances indicate that the fair value of an investment accounted for using the equity method has declined below its carrying value and the Company considers the decline to be “other than temporary,” the investment is written down to fair value and an impairment loss is recognized. The evaluation of impairment for an investment would be based on a number of factors, including financial condition and operating results for the investment, inability to remain in compliance with provisions of any related debt agreements, and recognition of impairments by other investors. Impairment recognition would negatively impact the recorded value of the Company’s investment and reduce net income.

Fair Value of Financial Instruments

The Company’s financial instruments consist primarily of cash and cash equivalents, accounts receivable, securities owned, securities sold short, accounts payable and accrued liabilities. The book value of cash and cash equivalents, accounts receivable, and accounts payable is considered to be representative of their fair value because of their short term maturities.

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair Value Measurements

ASC 820 "Fair Value Measurements" defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. 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. ASC 820 applies to all assets and liabilities that are measured and reported on a fair value basis (see Note 3, Fair Value Measurements).

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents, employee loans and securities owned. The Company has its cash and cash equivalents and securities placed with major international and local financial institutions. As part of its cash management process, the Company performs continuous evaluation of the relative credit standing of these institutions.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from the other sources. The most significant estimates include estimates recorded for the fair market value of privately held securities. On a continual basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

Net Income Per Common Share

The Company calculates basic net income per common share and diluted net income per common share assuming dilution. Basic net income per common share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted net income per common share is calculated by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during the period, plus potential dilutive common shares.

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Securities Sold Short

The Company may sell a security it does not own in anticipation of a decline in fair value of the security, or as a hedge against similar securities owned. When the Company sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. Obligations related to securities sold short are recorded as a liability at fair value. Realized and unrealized gains and losses are recorded in net trading losses/gains in the consolidated statement of operations. A gain, limited to the price at which the Company sold the security short, or a loss, unlimited in size, is recognized on a monthly basis.

Revenue from Contracts with Customers

The amount of revenue that the Company recognize is measured based on the consideration specified in contracts with customers. The Company recognize revenue when a performance obligation is satisfied over time as the services are performed or at a point in time depending on the nature of the services provided as further discussed below. Revenue recognition guidance related to contracts with customers excludes interest received on the company's cash and broker balances, income from equity investments, foreign exchange income, net trading gains, corporate finance income and administration and custody fees, to which we apply other applicable U.S. GAAP guidance.

For contracts with multiple performance obligations, or contracts that have been combined, the Company allocate the contracts' transaction price to each performance obligation using best estimate of the standalone selling price. Contractual fees are negotiated on a customer by customer basis and are representative of standalone selling price utilized for allocating revenue when there are multiple performance obligations.

Substantially all services are provided as a distinct series of daily performance obligations that the customer simultaneously benefits from as they are performed. Payments may be made to third party service providers and the expense is recognized gross when we control those services as we are deemed the principal.

Contract durations may vary from short to long term or may be open ended. Termination notice periods are in line with general market practice and typically do not include termination penalties. Therefore, for substantially all revenues, the duration of the contract and the enforceable rights and obligations do not extend beyond the services that are performed daily or at the transaction level. In instances where we have substantive termination penalties, the duration of the contract may extend through the date of substantive termination penalties.

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019
(expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Brokerage Fee, Net interest Income, Administration and Custody Revenue

Revenue from contracts with customers related to servicing fees is recognized over time as customers benefit from the custody, administration, accounting and other related asset services as they are performed. At contract inception, no revenue is estimated as the fees are dependent on assets under custody and administration and/or actual transactions which are susceptible to market factors outside of the Company's control. Therefore, revenue is recognized using a time-based output method as the customers benefit from the services over time and as the assets under custody or transactions are known or determinable during each reporting period based on contractual fee schedules. Payments made to third party service providers, such as sub-custodians, are generally recognized gross as the entity is deemed to be a principal in such arrangements.

Trading services revenue includes revenue generated from providing access and use of electronic trading platforms and other trading and brokerage services. Electronic FX services are dependent on the volume of actual transactions initiated through the Company's electronic exchange platforms. Revenue is recognized over time using a time-based measure as access to, and use of, the electronic exchange platforms is made available to the customer and the activity is determinable. Revenue related to other trading and brokerage services is recognized when the customer obtains the benefit of such services which may be over time or at a point in time upon trade execution.

Management Fee

Revenue from contracts with customers related to management fee, is recognized over time as customers benefit from the services as they are performed. Substantially all investment management fees are determined by the value of assets under management. At contract inception, no revenue is estimated as the fees are dependent on assets under management which are susceptible to market factors outside of the Company's control.

Therefore, substantially all Investment Management services revenue is recognized using a time-based output method as the customers benefit from the services over time and as the assets under management are known or determinable during each reporting period based on contractual fee schedules.

Revenue by category

In Note 16, revenue is disaggregated by the two lines of business and by revenue stream for which the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Contract balances and contract costs

As of December 31, 2020, net receivables of \$798,956 (2019 - \$816,559), included fees receivable, representing amounts billed or currently billable to or due from customers related to revenue from contracts with customers. As performance obligations are satisfied, we have an unconditional right to payment following which billing is generally performed monthly.

No adjustments are made to the promised amount of consideration for the effects of a significant financing component as the period between when we transfer a promised service to a customer and when the customer pays for that service is expected to be one year or less.

New Accounting Standards – Adopted

Restricted Cash

ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”) was issued in November 2016 and the amendment requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, the new guidance requires that amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

The Company has evaluated the impact of ASU No. 2016-18 and in 2020 adopted the changes into the consolidated statement of cash flows. Restricted cash includes cash held on deposit for credit cards issued by a bank in the Bahamas. This restricted cash of \$220,00 (2019: 220,000) is held as collateral against the amount of credit granted.

New Accounting Standards – Not yet adopted

Measurement of Credit Losses on Financial Instruments

ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments, was issued in June 2017 and the amendments in this update require entities to use an expected credit loss methodology and to consider a broader range of reasonable and supportable information to inform credit loss estimates. This update is effective for annual reporting periods beginning after December 15, 2022 and is to be applied on a modified retrospective basis. The Company is assessing the impact that the adoption of this update will have on its consolidated financial statements and related disclosures.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

In February 2016, the FASB issued ASU 2016-02, which is codified in ASC 842, amending the guidance on the classification, measurement and disclosure of leases for both lessors and lessees. The ASU requires lessees to recognize a right-of-use asset and an offsetting lease liability on the balance sheet and to disclose qualitative and quantitative information about leasing arrangements. Subsequently, in July 2019, the FASB issued ASU 2019-10, which clarifies how to apply certain aspects of ASC 842. The amendments in the ASU address a number of issues in the new leases guidance, including (1) the rate implicit in the lease, (2) impairment of the net investment in the lease, (3) lessee reassessment of lease classification, (4) lessor reassessment of lease term and purchase options, (5) variable payments that depend on an index or rate, and (6) certain transition adjustments.

In July 2019, the FASB also issued ASU 2019-11, which adds a transition option for all entities and a practical expedient only for lessors to ASU 2016-02. The transition option, which we elected on adoption of the guidance, allows entities to choose not to apply the new leases standard in the comparative periods they present in their financial statements in the year of adoption. Under the transition option, entities can instead opt to continue to apply the legacy guidance in ASC 840—Leases, including its disclosure requirements, in the comparative periods presented in the year they adopt the new leases standard. This means that entities that elect this option will only provide annual disclosures for the comparative periods because ASC 840 does not require interim disclosures. Entities that elect this transition option will still be required to adopt the new leases standard using the modified retrospective transition method required by the standard, but they will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented.

The practical expedient provides lessors with an option to not separate the non-lease components from the associated lease components when certain criteria are met and requires them to account for the combined component in accordance with the revenue recognition standard in ASC 606 if the associated non-lease components are the predominant components.

The effective date guidance for ASU 2016-02 was amended by ASU 2020-10. This is now effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company is currently assessing the impact the adoption of ASU 2016-02 will have on future financial statements and related disclosures.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair Value Measurements

In August 2019, the FASB issued ASU 2019-13 for changes to the disclosure framework related to Topic 820 which amends the disclosure requirements for fair value measurement. The following disclosure requirements were removed from Topic 820: (i) amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (ii) policy for timing of transfers between levels, and (iii) valuation processes for Level 3 fair value measurements. The amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The following disclosure requirements were added to Topic 820: (i) changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period; and (ii) range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) in lieu of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements.

The amendments in this Update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date.

ASC 820 clarifies the definition of fair value, establishes a framework for measurement of fair value and expands disclosure about fair value measurements.

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. ASC 820 applies to all financial instruments that are measured and reported on a fair value basis.

Where available, fair value is based on observable market prices or is derived from such prices. In instances where valuation models are applied, inputs are correlated to a market value, combinations of market values or the Company's proprietary data. The Company primarily uses the market approach.

Market Approach

The market approach uses prices and other pertinent information generated from market transactions involving identical or comparable assets or liabilities. Valuation techniques consistent with the market approach often use market multiples derived from a set of comparables or may include matrix pricing.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Approach

The income approach uses valuation techniques to convert future values e.g. cash flows, or earnings to a single discounted present amount. The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques include present value computations, option pricing models and a binomial model.

In following these approaches, the types of factors the Company may take into account in estimating fair value include available current market data, including relevant and applicable market quotes, yields and multiples, quotations received from counterparties, brokers or dealers when considered reliable, subsequent rounds of financing, recapitalizations and other recent transactions in the same or similar instruments, restrictions on disposition, the entity's current or projected earnings and discounted cash flows, the market in which the entity does business, comparisons of financial ratios of peer companies that are public, merger and acquisition comparable and the principal market and enterprise values, among other factors. Based on these approaches, the Company will use certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The Company aims to use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses valuation techniques it believes are most appropriate to estimate the fair value of its portfolio investments; however, considerable judgment is required in interpreting market data to develop the estimates of fair value. There are inherent limitations in any estimation technique.

For investments in publicly held securities that trade on exchanges, the Company generally uses the market approach, except when circumstances, in the estimation of the Company, warrant consideration of other data such as current market prices for similar securities in cases where current market data is not available or unreliable.

Many of the stocks and warrants held are in small cap companies and are highly volatile with thinly traded daily volumes. Sudden sharp declines in the market value of such securities can result in very illiquid markets. Management and the directors have taken all of these factors into account, including the fact that some securities it holds are currently restricted as to sale, in arriving at their best estimate of the fair value of the securities.

The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange and there can be no assurance that the fair values for these investments will be fully realizable upon their ultimate disposition or reflective of future fair values. Because of the inherent uncertainty of valuation, the estimated fair values of certain privately held investments may differ significantly from values that would have been used had an observable market for the privately held investment existed, and the differences could be material.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Approach (Cont'd)

Based on the inputs used in the valuation techniques described above, financial instruments are categorized according to the fair value hierarchy prescribed by ASC 820. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 - Observable inputs that reflect quoted market prices are available in active markets for identical assets or liabilities as of the reporting date. The types of investments in Level 1 include listed equities and monetary gold.
- Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Investments in this category include less liquid and restricted equity securities and securities in markets for which there are few transactions (inactive markets).
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs. Investments in this category include investments in private companies.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the assignment of the asset within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

When determination is made to classify a financial instrument within Level 3, the determination is based upon the lack of significance of the observable parameters to the overall fair value measurement. However, the fair value determination for Level 3 financial instruments may include observable components.

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3. SECURITIES OWNED AND FAIR VALUE MEASUREMENTS

The following are the Company's major categories of assets measured at fair value on a recurring basis at December 31, 2020 and 2019, categorized by the ASC 820 fair value hierarchy:

<u>Description</u>	<u>Fair Value Measurements at December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity Securities:				
Consumer staples	\$ 119	\$ 64	\$ -	\$ 183
Energy	-	-	200,000	200,000
Media	-	-	1,786,659	1,786,659
Technology	-	1,423,205	541,444	1,964,649
Mining	2,394	484,887	75,845	563,126
Medical	-	76,866	-	76,866
Other	386,295	7,202	75,000	468,497
Total Equity Securities	388,808	1,992,224	2,678,948	5,059,980
Commodities:				
Gold	406,694	-	-	406,694
Total Assets	\$ 795,502	\$ 1,992,224	\$ 2,678,948	\$ 5,466,674
Liabilities:				
Gold	\$ 4,277	\$ -	\$ -	\$ 4,277
Total Liabilities	\$ 4,277	\$ -	\$ -	\$ 4,277

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3. SECURITIES OWNED AND FAIR VALUE MEASUREMENTS (Cont'd)

<u>Description</u>	<u>Fair Value Measurements at December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity Securities:				
Investment exchange	\$ -	\$ -	\$ 1,209,767	\$ 1,209,767
Consumer staples	-	108,630	100,119	208,749
Energy	-	-	138,627	138,627
Media	-	-	2,132,241	2,132,241
Mining	36	9,269	186,068	195,373
Technology	-	-	397,560	397,560
Other	13,379	7,966	92,627	113,972
Total Equity Securities	13,415	125,865	4,257,009	4,396,289
Commodities:				
Gold	566,773	-	-	566,773
Total Assets	\$ 580,188	\$ 125,865	\$ 4,257,009	\$ 4,963,062
Liabilities:				
Gold	\$ 16,875	\$ -	\$ -	\$ 16,875
Total Liabilities	\$ 16,875	\$ -	\$ -	\$ 16,875

The following is a reconciliation of the beginning and ending balances for the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2020 and 2019:

	2020	2019
Assets:		
Balance, January 1	\$ 4,257,009	\$ 3,930,600
Transfers from level 3 to level 1	(100,119)	-
Purchases	87,199	520,821
Sales	(1,991,818)	-
Net change in realized gains	764,347	-
Net change in unrealized (losses)/gains	(337,670)	(194,412)
Balance, December 31	\$ 2,678,948	\$ 4,257,009
Change in unrealized (losses)/gains relating to Investments still held at December 31	\$ (337,670)	\$ (194,412)

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3. SECURITIES OWNED AND FAIR VALUE MEASUREMENTS (Cont'd)

The Company has obtained an independent valuation to estimate the fair value of one (2019: three) investment held in privately held security. For purposes of valuing privately held securities, fair value is defined as the amount at which a minority common stock interest in a privately held enterprise could be bought or sold in a current transaction between unrelated willing parties, that is, other than in a forced or liquidation sale. The methodology used in determining fair value uses a variety of factors giving each factor a weighting. When evidence supports a change to the carrying value from the transaction price, adjustments will be made to reflect expected exit values in the investment's principal market under current market conditions.

The media company's valuation is determined by a combination of a single period capitalization method for the property rental segment of the business and a net asset value method for the remainder of the business. At December 31, 2020, the fair value of the Company's investment was determined to be \$1,786,659 (2019 - \$2,132,241).

The holding in the investment exchange was sold in 2020 (2019 - \$1,209,767). In 2019, the shares of the exchange were not traded in an active market and management estimated the fair value by using combination of weightings including the market approach and the income approach. Market approach valuation techniques used included the guideline public company transaction method, guideline own company stock transaction method and guideline public company comparable method and own stock transactions. The income approach method utilized the discounted cash flow method.

The fair value of the remaining Level 3 investments are based on unobservable inputs that are not developed by management, such as investments for which fair value is determined by recent, pending or expected transactions or third-party pricing information without adjustment.

Ongoing reviews are conducted by the Company's management on all privately held securities based on an assessment of the underlying investments from the inception date through the most recent valuation date.

Derivatives

As of December 31, 2020, the Company was short 21 derivative futures contracts (2019 – 12 contracts) consisting of short gold mini futures which would have been used as hedges against quantities of physical gold held in inventory by the Company. These derivatives are traded on recognized commodity exchanges and the Company executes the trades through a broker on a net margin basis, each contract representing 10 fine troy ounces of gold. As of December 31, 2020, the underlying notional value of the short contracts was \$397,971 (2019 - \$587,611) compared to a cost of \$393,694 (2019 - \$570,736) resulting in an unrealized gain of \$4,277 (2019 - \$16,875). Because the contracts are executed on a net margin basis, the Company recorded only the unrealized gain/loss in the financial statements.

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3. SECURITIES OWNED AND FAIR VALUE MEASUREMENTS (Cont'd)

At December 31, 2020, the volume of the Company's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

Primary Underlying Risk <u>Commodities</u>	<u>Underlying Contract Size</u>	<u>Number of Contracts</u>
Short Gold Mini Futures	10 ounces of Fine Troy Gold	181

During the year ended December 31, 2020, the Company recorded (losses) of \$(52,289) (2019 – \$(33,661)) from derivative trades, hedging its physical gold held for resale to customers.

4. EQUITY INVESTMENT IN AFFILIATE

	2020	2019
Affiliate	\$ 1,606,396	\$ 1,394,656

The Company owns 127,750 (35.29%) (2019 - 127,750 (35.29%)) ordinary shares of an affiliate, which is accounted for under the equity method. The Company also engages in certain transactions with this affiliate (See Note 8).

The affiliate provides management services through its wholly owned subsidiaries. The Company's share of the net income of this company for the year ended December 31, 2020 was \$211,740 (2019 – \$250,966). The Company received a dividend in 2020 of \$Nil (2019 - \$127,750) which was recorded as a reduction in the carrying value of the investment on the consolidated balance sheet.

Components of net change in investments recorded under the equity method:

	2020	2019
Opening balance, January 1	\$ 1,394,656	\$ 1,271,440
Net income	211,740	250,966
Dividends received	-	(127,750)
Net change	211,740	123,216
Closing balance, December 31	\$ 1,606,396	\$ 1,394,656

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5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

2020	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Buildings	\$ 10,470,898	\$ (4,692,581)	\$ 5,778,317
Freehold land	2,008,192	-	2,008,192
Computer hardware and software	1,228,089	(1,071,537)	156,552
Fixtures and fittings	582,326	(536,671)	45,655
Leasehold improvements	377,694	(305,949)	71,745
Equipment	385,261	(277,715)	107,545
	<u>\$ 15,052,459</u>	<u>\$ (6,884,453)</u>	<u>\$ 8,168,006</u>
2019	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Buildings	\$ 10,470,898	\$ (4,430,235)	\$ 6,040,663
Freehold land	2,008,192	-	2,008,192
Computer hardware and software	1,163,893	(1,008,161)	155,732
Fixtures and fittings	582,325	(507,387)	74,938
Leasehold improvements	378,289	(278,358)	99,931
Equipment	385,261	(242,451)	142,810
	<u>\$ 14,988,858</u>	<u>\$ (6,466,592)</u>	<u>\$ 8,522,266</u>

During the year ended December 31, 2020, the Company disposed of property and equipment to the value of \$Nil (2019 - \$3,008) with accumulated depreciation of \$Nil (2019 - \$2,590) realizing a profit of \$Nil (2019 - \$563).

6. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

The Board of Directors authorized the Company in 2020 to purchase up to 500,000 of its own shares from existing shareholders at no fixed price per share and that the shares repurchased be retired. Such repurchase is subject to appropriate market conditions and repurchases will only be made in the best interest of the Company. During the year, the Company repurchased 287,930 (2019 – 395,650) shares in the open market at an average price of \$2.78 (2019 - \$2.77) per share, for cash. These shares were immediately retired upon repurchase.

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7. ASSETS UNDER MANAGEMENT

Cash, securities and properties held in the Company's role as custodian for customers are not included in the consolidated balance sheet as they are not the property of the Company. The Company is licensed by the Bermuda Monetary Authority under the Investment Business Act of 2003 and approved to hold client assets. The assets under management include LOM's investments, the LOM Sponsored Funds and the clients' investments which are included in the LOM Sponsored Funds. The fair value of assets under management as of December 31, 2020 is approximately \$1.27 billion (2019 - \$1.2 billion).

8. RELATED PARTY TRANSACTIONS

During the year, the Company earned broking fee revenue from accounts in which related parties have an interest of \$315,505 (2019 - \$146,345). The Company also paid interest of \$19,220 (2019 - \$17,398) and received interest of \$272,643 (2019 - \$472,820) from these same accounts.

During the year, the Company had transactions with shareholders who are also directors and employees of the Company. These transactions consisted of commission expenses of \$2,489,772 (2019 - \$2,210,066).

During the year, the Company earned rent and service charge income from related parties of \$212,750 (2019 - \$264,392). In addition, the Company also earned \$174,114 (2019 - \$167,938) for information technology services, accounting and administration services recorded in other income, of which \$46,181 (2019 - \$44,146) is still outstanding at year end. During the year, the Company paid \$48,099 (2019 - \$47,027) for corporate services, recorded in professional fees, provided by St Georges Services Limited. However, \$11,975 (2019 - \$10,550) of this amount, related to payments for annual government fees.

During the year, the Company earned management and performance fees of \$2,464,070 (2019 - \$2,435,682) from the LOM Sponsored Funds, of which \$640,471 (2019 - \$686,370) was included in accounts receivable at year end. The Company is also the custodian for the LOM Sponsored Funds and received a custodial fee, recorded in administrative and custody fees, of \$59,819 (2019 - \$58,674) for these services, of which \$16,791 (2019 - \$15,922) was included in accounts receivable at year end. The Company also earned director fees of \$60,000 (2019 - \$60,000) from the LOM Sponsored Funds, with the balance outstanding at year end.

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9. OFF-BALANCE SHEET AND OTHER RISKS

In the normal course of trading, the Company is party to certain financial instruments with off-balance sheet risk, where the risk of potential loss due to changes in the market (“market risk”) or failure of the other party to the transaction to perform (credit risk) exceeds the related amounts recorded. The Company attempts to manage these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies. Refer to Note 13 for client related off-balance sheet risks.

Credit Risk

The Company is potentially subject to credit risk associated with its cash and cash equivalents and securities owned. The Company's credit risk is equal to the replacement cost at the then-estimated fair value of the instrument, less recoveries. As the Company places its cash and cash equivalents and securities with major international and local financial institutions, management believes that the risk of incurring losses on these financial instruments is remote and that losses, if any, would not be material.

Liquidity Risk

The Company is potentially subject to liquidity risk on some of its non-marketable or illiquid securities owned. As a result, the Company may be unable to realize the full fair value of these securities since it may not be able to liquidate its positions in a timely manner.

Market Risk

The Company is subject to market risk on its securities owned. As a result of changes in market conditions, the values of these financial instruments will fluctuate.

Currency Risk

From time to time, the Company holds positions that are exposed to changes in foreign exchange rates (currency risk) whose gains or losses may exceed the related amounts recorded. The fair value may change based on the fluctuations in the value of these underlying currencies.

10. BANK LOAN

This loan with FirstCaribbean International Bank (Bahamas) Limited was to assist in the purchase of an office building in The Bahamas. The initial loan of \$900,000 USD carries an interest rate of USD 3Month Libor plus 4.50%. The loan is to be amortized over 10 years but repayable in a term of 5 years with monthly repayments of \$7,500 plus interest and a balloon payment of \$450,000 due at maturity plus any other outstanding amounts owing. A paydown of \$400,000 was made against the loan in May 2019. Total interest expense in relation to the bank loan was \$15,416 for the year ended December 31, 2020 (2019 - \$35,451).

The bank loan is secured by a registered First Demand Mortgage over the property located at #3 Pineapple Grove, Old Fort Bay, Nassau, Bahamas.

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11. FUTURE LEASE PAYMENTS

The Company leases office space under operating leases for certain of its operations. Future annual minimum lease payments (excluding real estate taxes and maintenance costs) are as follows:

For the Years Ending December 31,	Amount
2021	133,107
2022	128,852
2023	69,025
2024	34,513
Total	\$ 365,497

Operating lease rent expense (including real estate taxes and maintenance costs) were \$209,343 (2019 – \$190,326).

12. INCOME TAXES

The Company accounts for income taxes in accordance with ASC 740 “Income Taxes” (“ASC 740”). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained by the taxing authority. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company is not subject to, and does not anticipate becoming subject to, income taxes in any jurisdiction in which it currently operates, other than in the United Kingdom and the Philippines. LOM (UK) Limited and Global Admin Inc. are subject to income taxes. The Company has assessed and concluded that, no uncertain tax positions were required to be recorded, and the Company has not recognized any penalties, interest or any tax effect related to uncertain tax positions.

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12. INCOME TAXES (Cont'd)

A reconciliation of the statutory income tax rates applied to the Company's net income from LOM (UK) Limited for the years ended December 31, 2020 and 2019 is as follows:

Provision for income taxes consist of the following:

	2020	2019
Income tax benefit for foreign operations at statutory rate in effect of 19% (2019: 19%)	\$ 32,333	\$ 21,795
Non-deductible expenses	2,528	4,667
Capital allowance in excess of depreciation	(35,554)	(14,910)
Unutilized tax losses carried forward	693	(11,552)
Deferred tax movement	32,347	(54,770)
Current tax charge/(credit) for the year	<u>\$ 32,347</u>	<u>\$ (54,770)</u>

Tax losses of \$178,821 (2019: \$366,003) are available to carry forward to offset against future profits. The standard rate of tax applied to the reported result on ordinary activities is 19% (2019: 19%).

13. COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET RISK

Client Activities

In the normal course of business, the Company's client activities include execution, settlement, and financing of various client securities and commodities transactions. These activities may expose the Company to off-balance sheet risk in the event the client is unable to fulfill its contractual obligations and the Company has to sell the financial instrument underlying the contract at a loss. The Company attempts to mitigate this risk by adhering to strict policies requiring client acceptance procedures prior to the execution of any transactions.

The Company's client securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to the client collateralized by cash and securities in the client's account. The Company seeks to control the risks associated with its client activities by requiring clients to maintain margin collateral in compliance with various regulatory, exchange, and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the clients to deposit additional collateral or reduce positions when necessary.

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13. COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET RISK (Cont'd)

Client Activities (cont'd)

Such transactions may expose the Company to significant off-balance sheet risk in the event the margin is not sufficient to fully cover losses which clients may incur.

In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell the collateral at prevailing market prices in order to fulfill the client's obligations. The Company records client transactions on a transaction date basis, which is generally the day of the trade. The Company is therefore exposed to risk of loss on these transactions in the event of the client's or broker's inability to meet the terms of their contracts in which case the Company may have to purchase or sell financial instruments at prevailing market prices.

Counterparty Risk

In the event counterparties to the transactions do not fulfill their obligations, the Company may be exposed to significant credit risk to the extent such obligations are unsecured. The Company's policy is to monitor its market exposure and counterparty risk through the use of a variety of credit exposure reporting and control procedures.

Legal Proceedings

From time to time, the Company is involved in various legal proceedings, including arbitration proceedings, and/or regulatory inquiries that arise in the normal course of business. These matters generally relate to specific client accounts and/or transactions and may include requests for information on or from officers of the Company. In the opinion of management, the aggregate amount of any potential liability arising from such matters is not expected to have a material effect on the Company's financial position or results of operations. Management is unaware of any outstanding legal claims.

Regulatory Restrictions

The Company's business operations are strictly regulated under the laws of Bermuda and Bahamas, and other jurisdictions that the Company operates and has business relationships. Compliance with many of the regulations applicable to the Company involves a number of risks, particularly in areas where applicable regulations may be subject to interpretation. In the event of non-compliance with an applicable regulation, securities regulators may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension of the non-compliant company. It could even lead to the suspension or disqualification of the Company officers or employees, or other adverse consequences. The imposition of such penalties or orders on the Company could in turn have a material adverse effect on the Company's operating results and financial condition.

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13. COMMITMENTS, CONTINGENCIES AND OFF-BALANCE SHEET RISK (Cont'd)

Minimum Regulatory Capital

Certain subsidiaries of the Company are required to maintain a regulatory capital amount to satisfy the domiciliary regulator. Those minimum amounts are as follows:

LOM Financial (Bermuda) Limited	\$ 250,000
LOM Asset Management Limited	\$ 250,000
Global Custody and Clearing Limited	\$ 250,000
LOM Financial (Bahamas) Limited	\$ 300,000

As of December 31, 2020 and 2019, the above subsidiaries met their minimum regulatory capital amount.

Futures Contracts

Futures contracts provide reduced counterparty risk to the Company since futures are exchange-traded; and the exchange's clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default. For futures contracts where the Company takes a short position, a gain, limited to the original fair value of the contract, or a loss, unlimited in size, will be recognized upon the termination of the futures contract. Short futures contracts represent obligations of the Company to deliver specified securities or commodities at contracted prices and thereby create a liability to repurchase the securities or commodity in the market at prevailing prices. Accordingly, these transactions involve, to varying degrees, elements of market risk, as the Company's ultimate obligation to satisfy the sale of securities sold short may exceed the amount recognized in the statement of financial condition.

14. SEGMENT INFORMATION

The Company operates its business in segments which have been segregated based on products and services reflecting the way that management organizes the segments within the business for making operating decisions and assessing performance.

Measurement of Segment Income and Segment Assets

The Company evaluates each segment's performance based on its contribution to consolidated net income. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Factors Management Used to Identify the Company's Reportable Segment

Management monitors performance based on individual companies. The description of these companies is included in Note 1 to the consolidated financial statements. Intersegment revenue and expenses are allocated based on contractual terms that may not necessarily be at arm's length.

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14. SEGMENT INFORMATION (Cont'd)

Intersegment revenue relates to recharges between LOMFL's wholly-owned subsidiaries for information technology charges, administrative expenses and rent. These are charged at estimated current market prices. Revenues from segments below the quantitative thresholds for disclosure prescribed by U.S. GAAP are attributable to three operating segments and are aggregated and included in the other operating segment. These operating segments include LOM Corporate Finance Ltd., LOM (UK) Limited and Global Admin Inc.

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14. SEGMENT INFORMATION (Cont'd)

<u>2020</u>	<u>LOM Financial (Bermuda) Limited (Bermuda)</u>	<u>LOM Financial (Bahamas) Limited (Bahamas)</u>	<u>LOM Asset Management Limited (Bermuda)</u>	<u>Global Custody Clearing Limited (Bermuda)</u>	<u>LOM Financial Limited (Bermuda)</u>	<u>LOM Properties Limited (Bermuda)</u>	<u>Other UK/ (Bermuda/ Philippines)</u>	<u>Eliminations</u>	<u>Total</u>
Revenues from External customers	\$ 3,510,517	\$ 4,713,728	\$ 3,647,821	\$ 1,819,083	\$ 597,146	\$ 582,026	\$ 2,737,412	\$ -	\$ 17,607,733
Intersegment revenue	766,793	128,754	-	2,154,136	-	369,572	919,030	(4,338,285)	-
Total revenue	<u>\$ 4,277,310</u>	<u>\$ 4,842,482</u>	<u>\$ 3,647,821</u>	<u>\$ 3,973,219</u>	<u>\$ 597,146</u>	<u>\$ 951,598</u>	<u>\$ 3,656,442</u>	<u>\$ (4,338,285)</u>	<u>\$ 17,607,733</u>
Depreciation	\$ 23,076	\$ 1,852	\$ -	\$ 35,267	\$ -	\$ 332,456	\$ 25,210	\$ -	\$ 417,861
Operating expenses	4,344,050	2,983,440	2,857,485	4,030,172	522,804	1,285,601	1,094,497	(4,338,285)	12,779,764
Segment (loss) income	(66,740)	1,859,042	790,336	(56,953)	74,342	(334,003)	2,529,598	-	4,795,622
Identifiable assets	1,053,165	1,245,105	1,279,632	2,978,151	24,511,499	7,881,899	3,527,526	(17,179,599)	25,297,378
Property and equipment	58,846	1,227	-	89,667	-	7,957,484	60,782	-	8,168,006
Capital expenditures	-	-	-	55,897	-	-	7,704	-	63,601

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14. SEGMENT INFORMATION (Cont'd)

<u>2019</u>	<u>LOM Financial (Bermuda) Limited (Bermuda)</u>	<u>LOM Financial (Bahamas) Limited (Bahamas)</u>	<u>LOM Asset Management Limited (Bermuda)</u>	<u>Global Custody Clearing Limited (Bermuda)</u>	<u>LOM Financial Limited (Bermuda)</u>	<u>LOM Properties Limited (Bermuda)</u>	<u>Other UK/ (Bermuda/ Philippines)</u>	<u>Eliminations</u>	<u>Total</u>
Revenues from External customers	\$ 2,022,792	\$ 2,914,556	\$ 4,214,240	\$ 2,532,078	\$ 73,102	\$ 755,804	\$ 466,689	\$ -	\$ 12,979,261
Intersegment revenue	366,336	60,485	-	1,826,674	-	369,572	852,949	(3,476,016)	-
Total revenue	<u>\$ 2,389,128</u>	<u>\$ 2,975,041</u>	<u>\$ 4,214,240</u>	<u>\$ 4,358,752</u>	<u>\$ 73,102</u>	<u>\$ 1,125,376</u>	<u>\$ 1,319,638</u>	<u>\$ (3,476,016)</u>	<u>\$ 12,979,261</u>
Depreciation	\$ 11,031	\$ 2,156	\$ -	\$ 46,477	\$ -	\$ 325,902	\$ 29,638	\$ -	\$ 415,204
Operating expenses	3,156,205	2,381,574	3,262,734	3,572,225	501,526	1,297,613	1,077,480	(3,476,016)	11,773,341
Segment (loss) income	(767,077)	593,467	951,506	786,527	(428,423)	(172,237)	296,927	-	1,260,690
Identifiable assets	1,065,530	775,926	1,067,004	3,196,275	22,967,863	8,331,820	1,038,776	(17,011,185)	21,432,009
Property and equipment	81,922	3,079	-	64,038	-	8,294,940	78,287	-	8,522,266
Capital expenditures	72,274	-	-	8,151	-	43,740	74,588	-	198,753

LOM FINANCIAL LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. SEGMENT INFORMATION (Cont'd)

Geographic Split

2020	<u>Bermuda</u>	<u>Bahamas</u>	<u>UK</u>	<u>Philippines</u>	<u>Total</u>
Revenues from					
external customers	\$ 12,630,293	\$ 4,713,727	\$ 99,192	\$ 164,521	\$ 17,607,733
Property and equipment	8,105,997	1,227	60,782	-	8,168,006
2019	<u>Bermuda</u>	<u>Bahamas</u>	<u>UK</u>	<u>Philippines</u>	<u>Total</u>
Revenues from external					
customers	\$ 9,797,812	\$ 2,914,556	\$ 97,325	\$ 169,568	\$ 12,979,261
Property and equipment	8,440,900	3,079	77,739	548	8,522,266

Geographic split is disclosed by location of business.

15. SUBSEQUENT EVENTS

In preparing the financial statements, management has evaluated subsequent events through April 26, 2021, which is the date these financial statements were available to be issued and determined that there were no material events that would require recognition or disclosure in the Company's consolidated financial statements through that date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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16. SUPPLEMENTARY INFORMATION – FIVE YEAR COMPARISON TABLE

Income Statement Data – For the Year Ended December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net revenue-interest income	\$ 831,555	\$ 1,654,961	\$ 1,401,954	\$ 1,137,906	\$ 990,981
Fees and other income	16,776,178	11,324,300	12,759,568	9,628,808	7,000,629
Operating expenses Incl. Tax	(12,812,111)	(11,718,571)	(12,084,127)	(9,255,889)	(7,437,852)
Net profit	\$ 4,795,622	\$ 1,260,690	\$ 2,077,395	\$ 1,510,825	\$ 553,758

Balance Sheet Data – As of December 31,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash, cash equivalents and restricted cash	\$ 8,711,542	\$ 5,279,652	\$ 6,212,508	\$ 3,126,551	\$ 4,673,571
Securities owned	5,466,674	4,963,062	4,653,700	4,143,683	3,196,602
Property and equipment, net	8,168,006	8,522,266	8,739,135	9,036,959	7,233,851
Total assets	25,297,378	21,432,009	21,970,478	19,093,554	17,654,353
Shareholders' equity	24,307,853	20,365,602	20,260,445	18,387,923	17,067,048
Directors and Executives Shareholdings (in numbers of shares owned)	2,998,870	2,984,870	2,966,370	2,966,370	2,999,357

Financial Ratios – As of December 31,

	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2017</u>	<u>2016</u>
Liabilities – equity ratio	4.1%	5.2%	8.4%	3.8%	3.4%
Return on equity	19.7	6.2	10.3	8.2	3.2
Return on assets	19.0	5.8	9.5	7.9	3.1