BAHAMAS PROPERTY FUND LIMITED

Consolidated Financial Statements
31 December 2018

Independent auditors' report

To the shareholders of Bahamas Property Fund Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bahamas Property Fund Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

Bahamas Property Fund Limited's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

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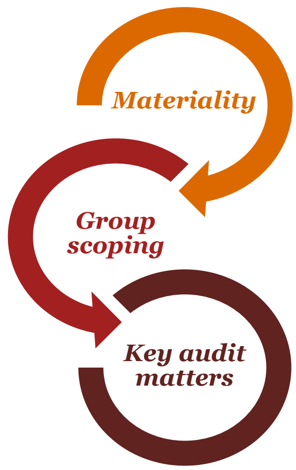
Our audit approach

Overview



- Overall group materiality: $450,000, which represents 1.75% of net assets.

- In addition to determining materiality, we also assessed, amongst other factors, the following in designing our audit of the Group:
  - the risk of material misstatement in the consolidated financial statements and the Group.
  - significant accounting estimates of the Group.
  - the risk of management override of internal controls within the Group.

- Valuation of investment properties

Audit scope

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

How we tailored our group audit scope

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

Our 2018 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from the prior year.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	$450,000
How we determined it	1.75% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 1.75% which is within a range of acceptable benchmark thresholds.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above $22,500, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties See notes 2(d) and 3 of the consolidated financial statements for management's disclosures of related accounting policies, judgements and estimates. The Group, through its subsidiaries, owns three investment properties comprising commercial and retail office space in The Bahamas. Investment property is carried at fair value which totalled $33,000,000 as at 31 December 2018 representing 88% of total assets. These balances are material to the consolidated financial statements of the Group as a whole. Fair values in respect of the property valuations are by their nature subjective with significant judgements applied and the existence of significant estimation uncertainty led us to direct specific audit focus and attention to this area.	Our testing of the valuation of the investment portfolio included the following: • We obtained the appraisal reports certified by management's independent appraisers and assessed the experience, competence, objectivity and independence of each appraiser. We determined that they were suitably qualified, that they had no affiliation to the group and we found no evidence to suggest that the objectivity of any of management's appraisers was compromised. • We assessed the appropriateness of the valuation methodology used and confirmed that it was suitable for determining market value in accordance with the financial reporting framework.

The Group uses independent qualified property appraisers to value its investment properties annually. Fair value is based on valuation methods using discounted cash flow analyses. The discounted cash flow analyses take into consideration various assumptions and factors including: • Current and future rental income in light of current market conditions • Vacancy rates and credit losses • Market discount rates A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.	• We performed an independent assessment of the significant assumptions within the appraisal reports. • As part of our assessment we engaged our own independent expert to challenge the key assumptions used by management related to vacancy rates and credit losses and to market discount rates. In addition, we validated the current and future rental income by agreeing to signed lease agreements. • We ensured adequate disclosure of the impact of changes in the assumptions utilised in the determination of the fair value of the investment properties. As a result of our audit procedures, no material adjustments were noted.

Other information

The directors are responsible for the other information. The other information comprises the Bahamas Property Fund Limited Annual Report for 2018 (but does not include the consolidated financial statements and our auditors' report thereon), which is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Bahamas Property Fund Limited Annual Report for 2018, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Carlton A. Cartwright, Jr.

PricewaterhouseCoopers

Chartered Accountants
Nassau, Bahamas

3 May 2019

Bahamas Property Fund Limited
(Incorporated under the laws of the Commonwealth of The Bahamas)

Consolidated Statement of Financial Position
As of 31 December 2018
(Expressed in Bahamian dollars)

	2018 $	2017 $
ASSETS		
Non-current assets		
Investment property (Note 3)	33,000,000	28,500,000
Current assets		
Cash at banks	2,621,138	3,863,254
Trade receivables (Note 4)	745,638	433,382
Other assets	965,576	421,774
	4,332,352	4,718,410
Total assets	**37,332,352**	**33,218,410**
LIABILITIES		
Non-current liabilities		
Security deposits from tenants	403,835	265,108
	403,835	265,108
Current liabilities		
Accrued expenses and other liabilities	939,039	479,270
Borrowings (Note 5)	10,013,577	10,730,912
	10,952,616	11,210,182
Total liabilities	**11,356,451**	**11,475,290**
EQUITY		
Capital – ordinary shares (Note 6)	12,035,000	12,035,000
Retained earnings	13,940,901	9,708,120
Total equity	**25,975,901**	**21,743,120**
Total liabilities and equity	**37,332,352**	**33,218,410**

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF BY:

Director **Director**

24 April 2019
Date

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

Bahamas Property Fund Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2018
(Expressed in Bahamian dollars)

	2018 $	2017 $
INCOME		
Rental and parking revenue	3,004,627	3,579,837
Net fair value gain/(loss) on investment property (Note 3)	4,300,000	(1,850,000)
	7,304,627	**1,729,837**
EXPENSES		
Maintenance cost of vacant rental space	1,913,463	1,344,537
Parking maintenance	321,801	282,384
Management fee (Note 9[a])	140,974	87,849
Professional fees	52,358	45,978
Business licence fees	24,633	30,328
Directors' fees	16,000	18,000
Salaries and employee benefits	9,097	-
Other	138,710	113,723
	2,617,036	**1,922,799**
Operating profit/(loss)	**4,687,591**	**(192,962)**
Interest expense and related charges	(454,810)	(506,422)
Net income/(loss) and total comprehensive income/(loss)	**4,232,781**	**(699,384)**

Weighted average number of ordinary shares outstanding	**2,407,000**	**2,407,000**
Earnings/(Loss) per share	**1.76**	**(0.29)**

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

Bahamas Property Fund Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018
(Expressed in Bahamian dollars)

	Capital – Ordinary Shares $	Retained Earnings $	Total $
As of 1 January 2018	12,035,000	9,708,120	21,743,120
Total comprehensive income	-	4,232,781	4,232,781
As of 31 December 2018	**12,035,000**	**13,940,901**	**25,975,901**
Dividends per share	**-**		
As of 1 January 2017	12,035,000	10,407,504	22,442,504
Total comprehensive loss	-	(699,384)	(699,384)
As of 31 December 2017	**12,035,000**	**9,708,120**	**21,743,120**
Dividends per share	**-**		

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

Bahamas Property Fund Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2018
(Expressed in Bahamian dollars)

	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	4,232,781	(699,384)
Adjustments for:		
Net fair value (gain)/loss on investment property	(4,300,000)	1,850,000
Interest expense and related charges	454,810	506,422
(Increase)/Decrease in operating assets		
Investment property	(200,000)	-
Trade receivables	(312,256)	596,716
Other assets	(543,802)	(51,556)
Increase/(Decrease) in operating liabilities		
Security deposits from tenants	138,727	(87,270)
Accrued expenses and other liabilities	459,769	(639,451)
Net cash from/(used in) operating activities	**(69,971)**	**1,475,477**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(451,108)	(506,422)
Repayments of borrowings	(721,037)	(658,268)
Net cash used in financing activities	**(1,172,145)**	**(1,164,690)**
Net increase/(decrease) in cash and cash equivalents	**(1,242,116)**	**310,787**
Cash and cash equivalents as of the beginning of the year	3,863,254	3,552,467
Cash and cash equivalents as of the end of the year	**2,621,138**	**3,863,254**
CASH AND CASH EQUIVALENTS		
Cash at banks	**2,621,138**	**3,863,254**

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

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Expressed in Bahamian dollars)

1. General Information

Bahamas Property Fund Limited (the Company) is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas (The Bahamas). The Company's principal activity, through its subsidiaries, is the investing in selected commercial real estate properties in The Bahamas for the purposes of rental income yields, through leases, and achieving long-term capital appreciation.

The Company has three (3) wholly-owned subsidiaries, Fincen Limited (Fincen), Marina Drive Number One Limited (Marina) and ProvHouse Limited (ProvHouse), all of which are incorporated under the Companies Act, 1992 of The Bahamas. Fincen owns the Bahamas Financial Centre located in New Providence, Bahamas; Marina owns One Marina Drive located in Paradise Island, Bahamas; and ProvHouse owns Providence House located in New Providence, Bahamas. The Company and its subsidiaries are referred to as the Group.

The Company's Class A ordinary shares are listed and traded on the Bahamas International Securities Exchange, and the registered office of the Company and its subsidiaries is located at 51 Frederick Street, Nassau, Bahamas. The Group's affairs are managed principally by service providers (Note 9).

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Notes 2(d), 2(f) and 2(k).

New standards, amendments and interpretations adopted by the Group

Effective 1 January 2018, the Group adopted IFRS 9 *Financial Instruments* (IFRS 9), which resulted in changes in the Group's accounting policies for recognition, classification, measurement and impairment of financial assets, however, these changes did not impact amounts previously recognised in the consolidated financial statements. There were no changes in relation to financial liabilities.

Other standards and amendments and interpretations to published standards that became effective for the Group's financial year beginning on 1 January 2018 were either not relevant or not significant to the Group's operations and accordingly did not have a material impact on the Group's accounting policies or consolidated financial statements.

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Continued)
(Expressed in Bahamian dollars)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted by the Group

With the exception of IFRS 16 *Leases* (IFRS 16), the application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or consolidated financial statements in the financial period of initial application.

IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 *Leases* (IAS 17). Lessees will recognise a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group has not yet assessed the full impact of adopting IFRS 16, which is effective for financial periods beginning on or after 1 January 2019.

(b) Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Bahamian dollars (B$), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date 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 consolidated statement of comprehensive income as a part of net income.

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Continued)
(Expressed in Bahamian dollars)

2. Summary of Significant Accounting Policies (Continued)

(d) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by companies in the Group, is classified as investment property. Investment property comprises freehold land and buildings.

Investment property is measured initially at its cost, including related transaction costs. Subsequently, investment property is carried at fair value. Fair value is based on valuation methods using discounted cash flow projections. These valuations are reviewed annually by an independent appraiser who holds recognised and relevant professional qualifications and has recent experience in the category of the investment property being valued.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the fair value of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance costs are charged to the consolidated statement of comprehensive income as a part of net income during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the consolidated statement of comprehensive income as a part of net income. Investment property is derecognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

(e) Financial assets

The Group classifies its financial assets as at amortised cost. Management determines the classification of its financial assets at initial recognition, and subsequently, financial assets are reclassified only when the business model for the relevant class of financial assets, as a whole, changes. Such reclassification is prospective and is effective from the first financial period subsequent to the change in business model.

Financial assets at amortised cost are those held within a business model whose objective is to collect the contractual cash flows, and those contractual terms give rise to cash flows that are solely payments of principal and interest.

Trade receivables represent amounts due from debtors for services performed in the ordinary course of business, with short terms to settlement, and are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value. Trade receivables also include unbilled recovery of expenditure paid on behalf of debtors, which have substantially the same risk characteristics as trade receivables.

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Continued)
(Expressed in Bahamian dollars)

2. Summary of Significant Accounting Policies (Continued)

(e) Financial assets (continued)

Other financial assets at amortised cost are recognised on the trade date – the date on which the Group commits to originate, purchase or sell the asset – and are initially recognised at fair value plus transaction costs, except financial assets carried at fair value through profit or loss where such costs are expensed as incurred.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership. If the Group has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Group has retained control of the financial assets. Where the Group has not retained control, financial assets are derecognised and any rights or obligations retained or created as part of the transaction are recognised as separate assets or liabilities. Alternatively, where the Group has retained control, the Group continues to recognise the financial assets to the extent of its continuing involvement in the financial assets.

Financial assets at amortised cost are subsequently carried at amortised cost using the effective interest method, less provisions for impairment.

Gains or losses arising from sales are recognised in the consolidated statement of comprehensive income as a part of net income in the financial period in which they arise.

(f) Impairment of financial assets at amortised cost

The Group applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and other financial assets at amortised cost.

To measure the expected credit losses, trade receivables and other financial assets at amortised cost are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles over a period of two (2) prior years and the relevant historical credit losses experienced within that period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the financial assets. The Group has identified the gross domestic product (GDP) growth rate experienced in the markets in which it operates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The calculation of expected credit losses of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the financial asset is reduced through the use of an allowance account, which is also referred to as provision for doubtful accounts in relation to trade receivables, and the amount of the expected credit loss is recognised in the consolidated statement of comprehensive income as a part of net income. Decreases in previously recognised expected credit losses are recognised against the same financial statement line item.

Financial assets at amortised cost are written off against the related allowance account when all necessary procedures have been completed and there is no reasonable expectation of recovery, typically evidenced by, amongst other factors, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than ninety (90) days.

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Continued)
(Expressed in Bahamian dollars)

2. Summary of Significant Accounting Policies (Continued)

(f) Impairment of financial assets at amortised cost (continued)

Recoveries of accounts previously written off are recognised directly in the consolidated statement of comprehensive income as a part of the impairment loss expense included in net income.

(g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently recognised at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are derecognised when the obligation specified in the contract has been extinguished, discharged, cancelled or expired.

The portions of borrowings due within twelve (12) months after the date of the statement of financial position are classified as current liabilities.

(h) Other liabilities

Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The Group obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified condition or for future lease payments. Such deposits are treated as financial liabilities, recognised initially at fair value and subsequently measured at amortised cost. The financial liabilities are derecognised when repaid or offset against outstanding trade receivables upon termination of the applicable lease.

(i) Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Dividends

Dividends on ordinary shares are recognised in equity in the financial period in which they are approved by the Company's Directors. Dividends declared after the date of the statement of financial position, but before the consolidated financial statements are issued, are dealt with in the subsequent events note.

(j) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the Group are classified as operating leases. Properties leased out under such leases are included in investment property in the consolidated statement of financial position. Rental income recognition is described in Note 2(k).

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2018
(Continued)
(Expressed in Bahamian dollars)

2. Summary of Significant Accounting Policies (Continued)

(k) Income and expense recognition

Rental income from operating leases (including office, retail and parking space) is recognised on a straight-line basis over the lease term. When the Group provides incentives to its customers, the costs of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income. Rental payments received in advance are recognised as unearned rental income and recorded in income over the period to which the payment relates.

Interest income and expense are recognised using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the: gross carrying amount of the financial asset (that is, its amortised cost before any allowance for expected credit losses), except for financial assets that are credit impaired, which in such cases use the net carrying amount (that is, amortised cost after allowance for credit losses); or net carrying amount of the financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options). The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Lease arrangement fees paid to the property manager upon the execution of a lease for new tenancy or upon the exercising of any predetermined renewal option are recognised as “other assets” in the consolidated statement of financial position and are amortised on a straight-line basis over the term of the relevant lease.

All other income and expenses are recognised on the accrual basis.

(l) Building maintenance costs

Building maintenance costs are borne by the tenants of the properties and are paid through a monthly service charge levied, based on an annually approved budget. Actual expenditures in excess or short of the approved budget are reflected in the following year’s service charges and are included as adjustments to trade receivables in the consolidated statement of financial position.

The service charges are not recorded as revenue, but rather as a deduction from the relevant expenses. Maintenance costs allocable to vacant rental space are borne by the Group and are included in the consolidated statement of comprehensive income as a part of net income.

(m) Taxation

Under the current laws of The Bahamas, the country of domicile of the Company and its subsidiaries, there are no income, capital gains or other corporate taxes imposed. The Group’s operations do not subject it to taxation in any other jurisdiction.

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2. Summary of Significant Accounting Policies (Continued)

(n) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is the person or group responsible for allocating resources and assessing performance of the operating segments, has been identified as the investment committee of the Investment Manager.

Income and expenses directly associated with each segment are included in determining business segment performance. The Group has identified each property as a business segment.

(o) Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks on demand.

(p) Corresponding figures

Where necessary, corresponding figures are adjusted to conform with changes in presentation in the current year, except as otherwise disclosed.

3. Investment Property

The Group ranks its non-financial assets carried at fair value based on the hierarchy of valuation techniques required by IFRS, which is determined based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two (2) types of inputs lead to the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset.

The determination of what constitutes 'observable' requires significant judgment by the Group. The Group considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

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3. Investment Property (Continued)

The fair value of non-financial assets traded in active markets is based on quoted market prices at the date of the consolidated statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from the dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These non-financial assets are included in Level 1.

Non-financial assets that trade in markets that are not considered to be active but are valued based on quoted market prices, broker quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

Non-financial assets classified within Level 3 have significant unobservable inputs.

Movements in investment property comprise:

	2018 $	2017 $
As of the beginning of the year	28,500,000	30,350,000
Additions	200,000	-
Net fair value gain/(loss) on investment property	4,300,000	(1,850,000)
As of the end of the year	**33,000,000**	**28,500,000**

All investment properties are classified as Level 3 assets. Fair value is based on valuation methods using discounted cash flow projections, which reflect, among other things, assumptions about rental rates and vacancy rates in light of current market conditions, and market discount rates. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the investment properties.

Investment properties were revalued by independent appraisers as of 31 December 2018.

The following table illustrates the impact of changes in estimates and assumptions in the determination of fair values of land and buildings.

Estimate/Assumption	Change	Impact on total equity
Rental revenue	+5.00%/-5.00%	$2,400,000/($2,400,000)
Vacancy rates	+3.00%/-3.00%	($3,000,000)/$3,000,000
Discount rate	+0.50%/-0.50%	($2,000,000)/$2,200,000

4. Trade Receivables

	2018 $	2017 $
Trade receivables	970,638	658,382
Provision for doubtful accounts	(225,000)	(225,000)
Total	**745,638**	**433,382**

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4. Trade Receivables (Continued)

Movements in provision for doubtful accounts are as follows:

	2018 $	2017 $
As of the beginning of the year	225,000	225,000
Provision for doubtful accounts	-	-
Trade receivables written off	-	-
As of the end of the year	**225,000**	**225,000**

As of 31 December 2018, the Group had trade receivables: past due but not credit-impaired of $27,844 (2017: $11,331), with an aging of thirty (30) days or greater; and credit-impaired of $390,500.

5. Borrowings

	2018 $	2017 $
Bank loan	10,009,875	10,730,912
Accrued interest	3,702	-
Total	**10,013,577**	**10,730,912**

As of 31 December 2018, the bank loan bears interest at Bahamian dollar Prime rate plus 0.25% per annum; Bahamian dollar Prime rate was 4.25% as of 31 December 2018. The bank loan is contractually repayable on demand, however the loan agreement establishes a schedule of repayments, which are in monthly installments of blended principal and interest in the aggregate amount of $93,951, and four (4) lump sum payments of $75,000 in varying years over the amortisation period, with full settlement by 29 November 2029. The bank loan is supported by:

- Guarantee and postponement of claims in the amount of $14,500,000 signed by Fincen and in the amount of $4,500,000 signed by Marina supported by Directors' resolutions.

- Registered first demand debenture signed by both Fincen and Marina incorporating a first fixed charge over the Bahamas Financial Centre and One Marina Drive and a floating charge over all other assets, which is stamped to secure $19,000,000.

- All perils insurance coverage over the Bahamas Financial Centre and One Marina Drive with the bank as loss payee.

- Assignment of the rents payable under all leases with tenants from time to time of the Bahamas Financial Centre and One Marina Drive.

As of 31 December 2018, the Group was not in compliance with the covenant related to debt service coverage ratio based on adjusted earnings for the year ended 31 December 2018, however, the Group's cash at banks provides adequate coverage to meet scheduled repayments. The bank has not notified the Group of any breach of the loan agreement.

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5. Borrowings (Continued)

Principal payments due within one (1) year under the schedule of repayments total $740,476 (2017: $703,649).

6. Capital

	2018 $	2017 $
Authorised		
10,000,000 Class A ordinary shares of $0.01 each	**100,000**	**100,000**
1,000,000 preference shares of $0.01 each	**10,000**	**10,000**
1,000 ordinary management shares with no par value	**-**	**-**
Issued and Fully Paid		
2,407,000 Class A ordinary shares of $0.01 each	24,070	24,070
Share premium	12,010,930	12,010,930
Total	**12,035,000**	**12,035,000**
1,000 ordinary management shares with no par value	**-**	**-**

Class A ordinary shares carry no voting rights, but are entitled to fully participate in the profits and losses of the Group. The Class A ordinary shares were initially issued at $5.00 per share, and thereafter, Class A ordinary shares are available for issue by the Group, following approval by the Directors and at a price to be determined by the Directors. Ordinary management shares carry full voting rights, but are not entitled to participate in the profits of the Group. All ordinary management shares have been issued and are owned by Royal Fidelity Merchant Bank & Trust Limited (RFMBT), a bank incorporated and licensed in The Bahamas.

7. Rental and Parking Revenue

The general period of leases whereby the Group leases out its investment property under operating leases is two (2) years or more. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2018 $	2017 $
No later than 1 year	2,071,199	2,070,139
Later than 1 year and no later than 5 years	6,391,920	5,715,360
Later than 5 years	3,271,824	3,925,915
	11,734,943	**11,711,414**

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8. Segment Analysis

Operating segments are reported in accordance with the internal reporting provided to the investment committee of the Investment Manager (Note 9), which is responsible for allocating resources to the reportable segments and assessing their performance. The Group has three (3) main business segments, representing each subsidiary within the Group (Note 1), that each own a respective property.

The revenues from external parties reported to the investment committee are measured in a manner consistent with that presented in the consolidated statement of comprehensive income; there are no material items of income and expense between the business segments.

The information provided about each segment is based on the internal reports about the segment income, expenses, assets and other information, which are regularly reviewed by the investment committee. Segment assets and liabilities comprise operating assets and liabilities, representing the consolidated statement of financial position.

Segment information for the reportable segments for the year ended 31 December 2018 is as follows:

	Fincen	**Marina**	**ProvHouse**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
31 December 2018					
INCOME					
Rental and parking revenue	2,556,726	323,269	124,632	-	3,004,627
Net fair value gain/(loss) on investment property	2,300,000	1,000,000	1,000,000	-	4,300,000
EXPENSES					
Maintenance cost of vacant rental space	1,139,418	465,696	308,349	-	1,913,463
Parking maintenance	321,801	-	-	-	321,801
Management fee	-	-	-	140,974	140,974
Salaries and employee benefits	-	-	-	9,097	9,097
Other	28,880	43,552	8,446	150,823	231,701
Operating profit/(loss)	3,366,627	814,021	807,837	(300,894)	4,687,591
Interest income	-	-	-	-	-
Interest expense and related charges	-	-	-	(454,810)	(454,810)
Net income/(loss) and total comprehensive income/(loss)	**3,366,627**	**814,021**	**807,837**	**(755,704)**	**4,232,781**
TOTAL ASSETS	**26,330,019**	**5,996,129**	**4,932,712**	**73,492**	**37,332,352**
TOTAL LIABILITIES	**564,660**	**290,804**	**412,368**	**10,088,619**	**11,356,451**

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8. Segment Analysis (Continued)

	Fincen	Marina	ProvHouse	Other	Total
	$	$	$	$	$
31 December 2017					
INCOME					
Rental and parking revenue	2,690,083	412,907	476,847	-	3,579,837
Net fair value gain/(loss) on investment property	(1,100,000)	(200,000)	(550,000)	-	(1,850,000)
EXPENSES					
Maintenance cost of vacant rental space	988,572	327,365	28,600	-	1,344,537
Parking maintenance	282,384	-	-	-	282,384
Management fee	-	-	-	87,849	87,849
Salaries and employee benefits	-	-	-	-	-
Other	41,699	67,245	25,712	73,373	208,029
Operating profit/(loss)	277,428	(181,703)	(127,465)	(161,222)	(192,962)
Interest expense and related charges	-	-	-	(506,422)	(506,422)
Net income/(loss) and total comprehensive income/(loss)	**277,428**	**(181,703)**	**(127,465)**	**(667,644)**	**(699,384)**
TOTAL ASSETS	**24,157,425**	**5,088,218**	**3,737,010**	**235,757**	**33,218,410**
TOTAL LIABILITIES	**233,694**	**446,914**	**24,503**	**10,770,179**	**11,475,290**

The Group has concentration risk with its investment property and related rental revenue, with two (2) tenant groups representing 83.64% (2017: two (2) tenant groups representing 87.41%) of revenue for Fincen; three (3) tenant groups representing 88.92% (2017: three (3) tenant groups representing 84.83%) of revenue for Marina; and two (2) tenant groups (2017: one (1) tenant group) representing the total revenue for ProvHouse.

9. Related Party Balances and Transactions

The Group's activities are principally directed and managed by the service providers, all of which are related parties. Related parties include those entities and individuals that have the ability to control or exercise significant influence over the Group in making financial or operational decisions, including the Directors, and entities that are controlled, jointly controlled or significantly influenced by them.

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9. Related Party Balances and Transactions (Continued)

Related party balances and transactions, not disclosed elsewhere in these consolidated financial statements, are as follows:

(a) Investment management agreement

Pursuant to an agreement dated 20 December 2018, RFMBT serves as the Group's investment manager (the Investment Manager). Prior to that date, Royal Fidelity Pension & Investment Services Limited, a company incorporated in The Bahamas and a subsidiary of RFMBT, served as the Group's investment manager pursuant to an agreement dated 20 December 1999. The Investment Manager is entitled to receive a quarterly management fee, payable in arrears, equal to 0.38% per annum of the nominal asset value, defined as the aggregate value of the Group's assets, calculated on a valuation day (the last business day of each calendar quarter). The Investment Manager is also entitled to a fee equal to 1.50% of the transaction value or net price of all real property acquisitions, disposals and exchanges by the Group. The management fee covers administration fees; accordingly, such fees are included in management fee in the statement of comprehensive income.

The agreement dated 20 December 1999 expired on 20 December 2002 and had been renewed for successive terms of one (1) year until the agreement dated 20 December 2018 was executed.

(b) Administrative services agreement

Pursuant to an agreement dated 20 December 1999, RFMBT serves as the Group's administrator and is entitled to an administration fee, which is paid out of management fee.

(c) Property management and leasing agency agreement

Pursuant to an agreement dated 20 December 1999, Morley Realty Limited (Morley) serves as the Group's property manager and leasing agent. Morley is entitled to a monthly management fee determined as a percentage of the income collected. The management fee is included in building maintenance costs billed to the tenants and may vary depending on the size and nature of the property, but in no event can it exceed the customary rate as determined by the Bahamas Real Estate Association.

Morley is also entitled to lease arrangement fees for serving as leasing agent. Such fees are payable upon the execution of a lease for new tenancy and upon the exercising of any predetermined renewal options. The maximum lease arrangement fees payable to Morley may not exceed three (3) months of net rent under the applicable lease agreement.

The agreement expired on 20 December 2002 and had been renewed for successive terms of one (1) year. The agreement was not renewed on 20 December 2018, and property management and lease arrangement activities are subsequently performed by persons directly employed by the Group.

As of 31 December 2018, there were deferred lease arrangement fees of $19,110 (2017: $4,355). Included in the consolidated statement of comprehensive income are amounts totalling $6,643 (2017: $7,733) for amortisation of such fees.

9. Related Party Balances and Transactions (Continued)

(d) Real estate advisory agreement

Pursuant to an agreement dated 20 December 1999, Morley serves as real estate advisor to the Group. Morley is entitled to a fee not to exceed 2.50% of the transaction value or net price of all real property acquisitions, disposals and exchanges by the Group.

The agreement expired on 20 December 2002 and had been renewed for successive terms of one (1) year. The agreement was not renewed on 20 December 2018.

(e) Directors and officers

Certain directors of the Group are also directors or officers of RFMBT and its subsidiaries, including the Investment Manager.

(f) Cash at banks and credit facility

The Group has demand deposit accounts with RFMBT, which do not earn interest. As of 31 December 2018, the balances totalled $2,621,138 (2017: $3,863,254). The Group did not earn interest income on the deposits during the current and prior years.

The Group has an unsecured line of credit with RFMBT of $1,000,000, which incurs interest at a rate of 8.50% per annum. The facility was not utilised during the current and prior years, and accordingly, the Group did not incur interest expense.

(g) Other

As of 31 December 2018, related parties owned 725,476 (2017: 725,476) Class A ordinary shares.

During the year, RFMBT entered into a five (5) year lease agreement with ProvHouse for commercial office space, with rental revenue to commence in May 2019.

10. Financial Risk Management

The Group engages in transactions that expose it to market risk (which includes price, currency and interest rate risks), credit risk and liquidity risk in the normal course of operations. The Group's financial performance is affected by its ability to understand and effectively manage these risks.

The Investment Manager is responsible for identifying and managing risks. The Directors monitor the Investment Manager and are ultimately responsible for the overall financial risk management of the Group.

Monitoring and controlling risks is performed through the establishment of limits by the Directors, which reflect the business strategy, including the level of risk that the Group is willing to accept and the market environment in which the Group operates. In addition, the Group monitors and measures the overall level of risk in relation to the aggregate risk exposure across all risk types and activities.

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10. Financial Risk Management (Continued)

Concentration of risks

Concentration of risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location, and arises: when a significant proportion of financial instruments or contracts are entered into with the same counterparty; or where a significant proportion of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of currency risk arises when the Group has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that are historically positively correlated. Concentration of liquidity risk arises from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

To mitigate excessive concentration of risk, the Group's policies and procedures include specific guidelines to maintain appropriate diversification.

(a) Market risk

Price risk

Price risk is the risk that the fair values and/or amounts realised on sales of investment property, or rental amounts received, will fluctuate significantly as a result of changes in market prices. The price risk of the portfolio of investment property is managed through diversification of the portfolio. The Group seeks to diversify its exposure by investing in properties that are leased as commercial, office and retail space.

The Group has significant geographical concentration risk because all of its investment properties are located in The Bahamas; specifically New Providence and Paradise Island. See Note 3 for impact on fair values of investment properties of changes in key estimates and assumptions.

Currency risk

Currency risk is the risk that the fair values and/or amounts realised on sales of financial instruments or the settlement of financial liabilities may fluctuate due to change in foreign exchange rates. The Group is not exposed to significant currency risk, as its financial instruments are denominated in B$, and the majority of its transactions are also denominated in B$. The remaining transactions are denominated in US$, however, this risk is mitigated because the B$:US$ exchange rate is fixed at 1:1.

Interest rate risk

Interest rate risk is the risk that the fair values or cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's cash flow interest rate risk arises from its long term borrowings (Note 5), which bear interest at a variable rate. The Group does not hedge against its cash flow interest rate risk exposure, which is not considered significant as the Bahamian dollar Prime rate has not experienced frequent significant changes in prior years. Trade receivables and other financial assets and financial liabilities generally do not bear interest and have settlement dates of less than one (1) year.

The Group does not have any significant exposure to fair value interest rate risk.

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10. Financial Risk Management (Continued)

(a) Market risk (continued)

Interest rate risk (continued)

The Directors monitor interest rate risks and determine the most appropriate capital structure (i.e. gearing ratio) to maximise profits for the Group's shareholders.

(b) Credit risk

Credit risk is the risk that a counterparty will be unable or unwilling to meet a commitment that is entered into with the Group. Credit risk arises from cash at banks as well as credit exposures with respect to rental customers, including outstanding trade receivables. Cash balances are placed with financial institutions in good standing with the Central Bank of The Bahamas. Further, the Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history.

The Group assesses the probability of default of financial assets upon recognition, and continually assesses whether there has been a significant increase in credit risk for the purposes of recognising expected credit losses. A significant increase in credit risk is presumed if contract payments from a counterparty are more than thirty (30) days past due. Further, financial assets are classified as in default, which is consistent with the definition of credit-impaired, if contractual payments from a counterparty are more than ninety (90) days past due. Other qualitative factors specific to a counterparty's ability and intent to make contractual payments when due are evaluated in determining whether a financial asset is in default.

The Group's concentrations of credit risk with respect to rental customers is consistent with the concentration of rental revenues; see Note 8.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they become due. The Group's operations generate monthly cash inflows that are used to meet its expense and borrowings repayment obligations. In addition, the Group maintains flexibility in funding through a committed credit facility (Note 9[f]). With the exception of borrowings and security deposits from tenants, the Group's financial liabilities are due within one (1) year. The cash flows associated with borrowings are disclosed in Note 5.

All of the Group's financial assets are due within one (1) year.

11. Fair Value of Financial Instruments

Financial instruments utilised by the Group comprise the financial assets and liabilities recognised in the consolidated financial statements. The Group's financial instruments are principally short term in nature or have interest rates that reset to market interest rates; accordingly, their fair values approximate their carrying values.

Financial assets and liabilities are principally Level 2 in the fair value hierarchy.

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12. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (effectively, total liabilities) less cash at banks. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratio as of 31 December 2018 is as follows:

	2018 **$**	**2017** **$**
Total liabilities	11,356,451	11,475,290
Less: Cash at banks	(2,621,138)	(3,863,254)
Net debt	8,735,313	7,612,036
Total equity	25,975,901	21,743,120
Total capital	**34,711,214**	**29,355,156**
Gearing ratio	**25.17%**	**25.93%**

13. Corresponding Figures

Summary of significant accounting policies

The corresponding figures have been presented in accordance with the accounting policies that were applicable during that year, which are disclosed below.

(a) Financial assets

The Group classifies its financial assets into the category of loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They arise when the Group provides money, goods or services to a debtor with no intention of trading the receivable.

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13. Corresponding Figures (Continued)

Summary of significant accounting policies (continued)

(a) Financial assets (continued)

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to originate, purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs, except financial assets carried at fair value through profit or loss where such costs are expensed as incurred. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership. If the Group has neither transferred nor retained substantially all the risks and rewards of ownership, an assessment is made whether the Group has retained control of the financial assets.

Where the Group has not retained control, financial assets are derecognised and any rights or obligations retained or created as part of the transaction are recognised as separate assets or liabilities. Alternatively, where the Group has retained control, the Group continues to recognise the financial assets to the extent of its continuing involvement in the financial assets.

Loans and receivables are subsequently carried at amortised cost less provisions for impairment.

Gains or losses arising from sales are recognised in the consolidated statement of comprehensive income as a part of net income in the financial period in which they arise.

(b) Impairment of financial assets at amortised cost

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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13. Corresponding Figures (Continued)

Summary of significant accounting policies (continued)

(b) Impairment of financial assets at amortised cost (continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income as a part of net income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of comprehensive income as a part of net income. When a financial asset is uncollectible, it is written off against the related allowance account. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Recoveries of accounts previously written off are recognised directly in the consolidated statement of comprehensive income as a part of net income.

(c) Income and expense recognition

Rental income from operating leases (including office, retail and parking space) is recognised on a straight-line basis over the lease term. When the Group provides incentives to its customers, the costs of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income. Rental payments received in advance are recognised as unearned rental income and recorded in income over the period to which the payment relates.

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

Lease arrangement fees paid to the property manager upon the execution of a lease for new tenancy or upon the exercising of any predetermined renewal option are recognised as “other assets” in the consolidated statement of financial position and are amortised on a straight-line basis over the term of the relevant lease.

All other income and expenses are recognised on the accrual basis.