Consolidated Financial Statements of

BAHAMAS PROPERTY FUND LIMITED

December 31, 2019

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Consolidated Financial Statements

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C O N T E N T S

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INDEPENDENT AUDITORS' REPORT

To the shareholders of
BAHAMAS PROPERTY FUND LIMITED

Opinion

We have audited the consolidated financial statements of Bahamas Property Fund Limited ("the Company") and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2019 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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 2019 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 the aggregate, on the consolidated financial statements as a whole.

Overall group materiality	-	$137,000
How we determined it	-	0.50% 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 0.50% 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 $13,700, as well as misstatements below the amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 3(h) and 4 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 properties are carried at fair value which totaled $34,350,000 as at December 31, 2019, representing 91% 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. 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 contain various assumptions and factors including: • Current and future rental income based on 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.	Our testing of the valuation of investment properties 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 found no evidence to suggest that the objectivity of any of management's independent 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. • We performed an independent assessment of the significant assumptions within the appraisal reports. • We assessed the key assumptions used by management related to vacancy rates, credit losses and market discount rates. In addition, we agreed the current and future rental income to signed lease agreements. • We ensured adequate disclosure of the impact of changes in the assumptions utilized 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 2019 (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.

Other Information (continued)

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 2019, 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 IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 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

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

- 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 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 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 described 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.

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2018 were audited by other auditors whose report dated May 3, 2019 expressed an unqualified opinion on those statements.

The engagement partner on the audit resulting in this independent auditors' report is Craig (Tony) A. Gomez.

Baker Tilly

CHARTERED ACCOUNTANTS

April 27, 2020
Nassau, Bahamas

BAHAMAS PROPERTY FUND LIMITED
Consolidated Statement of Financial Position

December 31, 2019
(Expressed in Bahamian dollars)

	2019	2018
ASSETS		
Current assets		
Cash at banks	$ 2,931,187	$ 2,621,138
Trade receivables (Note 5)	526,016	745,638
Other assets	140,148	965,576
Total current assets	3,597,351	4,332,352
Non-current assets		
Investment properties (Note 4)	34,350,000	33,000,000
Total assets	**37,947,351**	**37,332,352**
LIABILITIES AND EQUITY		
Current liabilities		
Accrued expenses and other liabilities	996,756	939,039
Borrowings (Note 6)	9,275,420	10,013,577
Total current liabilities	10,272,176	10,952,616
Non-current liabilities		
Security deposit from tenants	280,648	403,835
Total liabilities	**10,552,824**	**11,356,451**
Equity		
Capital – ordinary shares (Note 7)	12,035,000	12,035,000
Retained earnings	15,359,527	13,940,901
Total equity	**27,394,527**	**25,975,901**
Total liabilities and equity	**$37,947,351**	**$37,332,352**

See accompanying notes. See Independent Auditors' Report on pages 1 to 5.

These financial statements were approved on behalf of the Board of Directors on April 27, 2020 and signed on its behalf by:

Michael Anderson
Director

Thomas Hackett
Director

BAHAMAS PROPERTY FUND LIMITED
Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019
(Expressed in Bahamian dollars)

	2019	**2018**
INCOME		
Rental and parking revenue	$2,858,265	$3,004,627
Net fair value gain on investment properties (Note 4)	1,032,173	4,300,000
Total Income	**3,890,438**	**7,304,627**
EXPENSES		
Landlord expenses	1,653,689	2,235,264
Management fee (Notes 10(a), 10(b))	157,102	140,974
Professional fees	116,308	52,358
Other	45,510	147,807
Business license fees	22,034	24,633
Directors' fees (Note 10(c))	19,000	16,000
Total Expenses	**2,013,643**	**2,617,036**
OPERATING PROFIT	1,876,795	4,687,591
Other income/(expenses)		
Interest expense and related charges	(458,169)	(454,810)
NET INCOME AND TOTAL COMPREHENSIVE INCOME	**$1,418,626**	**$4,232,781**
Weighted average number of ordinary shares outstanding	2,407,000	2,407,000
Basic earnings per ordinary share	$ 0.59	$ 1.76

See accompanying notes. See Independent Auditors' Report on pages 1 to 5.

BAHAMAS PROPERTY FUND LIMITED
Consolidated Statement of Changes in Equity

For the year ended December 31, 2019
(Expressed in Bahamian dollars)

	Capital - Ordinary Shares	Retained Earnings	Total
Balance at December 31, 2017	**$12,035,000**	**$9,708,120**	**$21,743,120**
Total comprehensive income	-	4,232,781	4,232,781
Balance at December 31, 2018	**12,035,000**	**13,940,901**	**25,975,901**
Total comprehensive income	-	1,418,626	1,418,626
Balance at December 31, 2019	**$12,035,000**	**$15,359,527**	**$27,934,527**

See accompanying notes. See Independent Auditors' Report on pages 1 to 5.

BAHAMAS PROPERTY FUND LIMITED

Consolidated Statement of Cash Flows

For the year ended December 31, 2019
(Expressed in Bahamian dollars)

	2019	2018
CASH PROVIDED BY/(USED IN):		
Cash flows from operating activities:		
Net income for the year	$ 1,418,626	$ 4,232,781
Adjustments to reconcile net income to net cash provided by/ (used in) operating activities:		
Net fair value (gain) on investment properties	(1,032,173)	(4,300,000)
Interest expense and related charges	458,169	454,810
Cash provided by operations before changes in operating assets and liabilities	**844,622**	**387,591**
Changes in operating assets		
(Increase) in investment properties	(317,827)	(200,000)
Decrease/(increase) in trade receivables	219,622	(312,256)
Decrease/(increase) in other assets	825,428	(543,802)
Changes in operating liabilities		
Increase/(decrease) in security deposits from tenants	(123,188)	138,727
Increase in accrued expenses and other liabilities	57,717	459,769
Net cash provided by/(used in) operating activities	**1,506,374**	**(69,971)**
Cash flows from financing activities:		
Interest paid	(458,169)	(451,108)
Repayments of borrowings	(738,156)	(721,037)
Net cash used in financing activities	**(1,196,325)**	**(1,172,145)**
Net increase/(decrease) in cash and cash equivalents	310,049	(1,242,116)
Cash and cash equivalents, beginning of the year	2,621,138	3,863,254
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 2,931,187**	**$ 2,621,138**
Represented by:		
Cash at banks	**$ 2,931,187**	**$ 2,621,138**

See accompanying notes. See Independent Auditors' Report on pages 1 to 5.

1. GENERAL INFORMATION

Bahamas Property Fund Limited ("the Company") is incorporated under the Companies Act, 1992 of the Commonwealth of The Bahamas. The Company's principal activity, through its subsidiaries, is investing in selected commercial real estate properties in The Bahamas for the purpose of earning rental income, 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 Commonwealth of The Bahamas. Fincen owns the Bahamas Financial Centre located in New Providence, Bahamas, Marina owns One Marina Drive located on Paradise Island, Bahamas; and ProvHouse owns Providence House located in New Providence, Bahamas. The Company and its subsidiaries are referred to as the Group in these consolidated financial statements.

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 Providence House, East Hill Street, Nassau, Bahamas.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO THE STANDARDS

New standard, amendments and interpretations adopted by the Group

Effective January 1, 2019, the Group adopted IFRS 16 *Leases.* IFRS 16 replaces IAS 17 *Leases* and related Interpretations. 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. Lessees will recognize a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset will be amortized over the length of the lease and the financial liabilities measured at amortized cost. However, lessor accounting remains substantially the same as in IAS 17. Accordingly, there was no material impact on the Group's consolidated financial statements on the adoption of IFRS 16 as the Group is a lessor.

A number of other new standards and amendments to the standards are also effective from January 1, 2019 but they do not have a material effect on the Group's consolidated financial statements.

New standard and amendments to the standards not yet adopted by the Group

At the date of these consolidated financial statements, the following standards and amendments to the existing standards issued by the International Accounting Standards Board (the "IASB") have not been applied in these consolidated financial statements, as they are not yet effective:

IFRS 3 (amendments)	-	Definition of a Business - effective from January 1, 2020
IFRS 7, IFRS 9 & IAS 39 (amendments)	-	Disclosure of Interest Rate Benchmark Reform - effective from January 1, 2020
IFRS 17	-	Insurance Contracts - effective from January 1, 2021
IAS 1 & IAS 8 (amendments)	-	Definition of Material - the amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS standards - effective from January 1, 2020

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO THE STANDARDS (continued)

The application of the new standard and amendments to the standards is not expected to have a material impact on the Group's accounting policies or the consolidated financial statements in the period of initial application.

3. 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. <u>Statement of compliance</u>

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The significant accounting policies set out below have been consistently applied to all years presented, unless otherwise stated.

b. <u>Basis of preparation</u>

These consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are stated at fair value. The consolidated financial statements are presented in Bahamian dollars, which is the Group's functional and presentation currency.

c. <u>Principles of consolidation</u>

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and can 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 Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized 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.

d. <u>Use of estimates and judgments</u>

The preparation of the consolidated financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and 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. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Use of estimates and judgments (continued)

Information about significant areas of estimation uncertainty and critical judgments, in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements, are described in the following notes:

Notes 3(h), 4	-	Investment properties
Note 11	-	Fair value of financial instruments
Note 12	-	Financial risk management

e. Financial assets

The Group classifies its financial assets at amortized cost. Management determines the classifications 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 amortized 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 amount due from debtors for services performed in the ordinary course of business, with short repayment terms, and are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognized 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.

Other financial assets at amortized cost are recognized on the trade date – the date on which the Group commits to originate, purchase or sell the asset – and are initially recognized 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 derecognized 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 or retained substantially all the risk 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 derecognized as separate assets or liabilities. Alternatively, where the Group has retained control, the Group continues to recognize the financial assets to the extent of its continuing involvement in the financial assets.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Impairment of financial assets at amortized 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 amortized cost.

To measure the expected credit losses, trade receivables and other financial assets at amortized cost are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on 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 collateralized 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 recognized on the consolidated statement of comprehensive income as a part of net income. Decreases in previously recognized expected credit losses are recognized against the same financial statement line item.

Financial assets at amortized cost are written off against the related allowance account when all necessary procedures have been completed and there is no reasonable expectation of discovery, 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.

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

g. Cash and cash equivalents

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

h. Investment properties

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

Investment properties are measured initially at cost, including related transaction costs. Subsequently, investment properties are carried at fair value. Fair value is based on valuation methods using discounted cash flow projections.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Investment properties (continued)

The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases based on current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties. The fair value of investment properties does not reflect future capital expenditure that will improve or enhance the properties 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 properties.

Subsequent expenditure is capitalized 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 derecognized.

Changes in fair values are recognized in the consolidated statement of comprehensive income as a part of net income. An investment property is derecognized 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.

i. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently recognized at amortized cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are derecognized 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.

j. Other liabilities

Other financial liabilities are recognized initially at fair value and subsequently measured at amortized 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, recognized initially at fair value and subsequently measured at amortized cost. The financial liabilities are recognized when repaid or offset against outstanding trade receivables upon termination of the applicable lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. 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 recognized 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 disclosed as subsequent events to the financial statements.

l. 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 properties in the consolidated statement of financial position. Rental income recognition is described in Note 3(m).

m. Income and expense recognition

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

Interest income and expense are recognized using the effective interest method. The effective interest method is a method of calculating the amortized 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.

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

n. Building maintenance cost

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Building maintenance cost (continued)

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.

o. Related parties

A related party represents an entity or an individual that has the ability to control, directly or indirectly, through one or more intermediaries, or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

p. 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 Groups operations do not subject it to taxation in any other jurisdiction.

q. 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.

4. INVESTMENT PROPERTIES

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 assets 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.

4. INVESTMENT PROPERTIES (continued)

The level in the fair value hierarchy within which the fair value measurement is categorized 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 judgement, 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 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.

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 alternatives 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 properties comprise:

	2019	2018
Balance at beginning of the year	$33,000,000	$28,500,000
Additions	317,827	200,000
Net fair value gain on investment properties	1,032,173	4,300,000
Balance at end of the year	$34,350,000	$33,000,000

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.

Investments properties were revalued by independent appraisers as of December 31, 2019.

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

5. TRADE RECEIVABLES

	2019	2018
Trade receivables	$ 751,016	$ 970,638
Provision for doubtful accounts	(225,000)	(225,000)
Total	$ 526,016	$ 745,638

Movements in the provision for doubtful accounts are as follows:

	2019	2018
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 December 31, 2019, the Group had trade receivables: past due but not credit-impaired of $264,775 (2018: $27,844), with an aging of thirty (30) days or greater; and credit-impaired of $225,000 (2018: $390,500).

6. BORROWINGS

	2019	2018
Bank loan	$9,275,420	$10,009,875
Accrued interest	-	3,702
Total	$9,275,420	$10,013,577

As of December 31, 2019, the bank loan bears interest at Nassau Prime rate plus 0.25% per annum; Nassau Prime rate was 4.25% as of December 31, 2019 (2018: 4.25%). 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 $97,679, and four (4) lump-sum payments of $75,000 in varying years over the amortization period, with full settlement by November 29, 2029. The bank loan is guaranteed by the following:

- 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.

The bank has not notified the Group of any breach of the loan agreement.

Principal payments due within one (1) year under the schedule of repayments total $834,369 (2018: $740,467).

7. CAPITAL

	2019	2018
Authorized		
10,000,000 Class A ordinary shares of $0.01 each	$ 100,000	$ 100,000
1,000,000 ordinary preference shares of $0.01 each	$ 10,000	$ 10,000
1,000,000 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.

8. RENTAL AND PARKING REVENUE

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

	2019	2018
No later than 1 year	$1,079,094	$ 2,071,199
Later than 1 year and no later than 5 years	3,594,808	6,391,920
Later than 5 years	3,166,513	3,271,824
	$7,840,415	$11,734,943

9. SEGMENT ANALYSIS

Operating segments are reported in accordance with the internal reporting provided to the investment committee of the Investment Manager (Note 10), 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, 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 December 31, 2019 is as follows:

	Fincen	ProvHouse	Marina	Other	Total
December 31, 2019					
INCOME					
Rental and parking revenue	$ 2,352,904	$ 226,132	$ 281,066	$ (1,838)	$ 2,858,265
Net fair value gain/(loss) on investment properties	1,250,000	582,173	(800,000)	-	1,032,173
	3,602,904	808,305	(518,934)	(1,838)	3,890,438
EXPENSES					
Landlord expenses	1,193,254	67,208	393,227	-	1,653,689
Management fee	-	-	-	157,102	157,102
Professional fees	29,081	18,729	15,659	52,839	116,308
Other	3,815	12,140	2,753	26,802	45,510
Business license fees	19,176	434	2,424	-	22,034
Directors' fees	-	-	-	19,000	19,000
	1,245,326	98,511	414,063	255,743	2,013,643
Operating profit/(loss)	2,357,578	709,794	(932,997)	(257,581)	1,876,795
Other expenses					
Interest expense and related charges	-	-	-	(458,169)	(458,169)
Net income/(loss) and total comprehensive income/(loss)	$ 2,357,578	$ 709,794	$ (932,997)	$ (715,750)	$ 1,418,626
TOTAL ASSETS	$27,076,799	$4,351,498	$5,313,603	$1,205,451	$37,947,351
TOTAL LIABILITIES	$ 578,205	$ 129,187	$ 500,955	$9,344,477	$10,552,824

9. SEGMENT ANALYSIS (continued)

	Fincen	ProvHouse	Marina	Other	Total
December 31, 2018					
INCOME					
Rental and parking revenue	$ 2,556,726	$ 323,269	$ 124,632	$ -	$ 3,004,627
Net fair value gain/(loss) on investment properties	2,300,000	1,000,000	1,000,000	-	4,300,000
	4,856,726	1,323,269	1,124,632	-	7,304,627
EXPENSES					
Landlord expenses	1,461,219	465,696	308,349	-	2,235,264
Other	8,286	41,798	6,161	91,562	147,807
Management fee	-	-	-	140,974	140,974
Professional fees	-	-	-	52,358	52,358
Business license fees	20,594	1,754	2,285	-	24,633
Directors' fees	-	-	-	16,000	16,000
	1,490,099	509,248	316,795	300,894	2,617,036
Operating profit/(loss)	3,366,627	814,021	807,837	(300,894)	4,687,591
Other expenses					
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

The Group has concentration risk with its investment properties and related revenue, with two (2) tenant groups representing 82.09% (2018: 83.64%) of revenue for Fincen; two (2) tenant groups representing 91.05% (2018: three (3) tenant groups representing 88.92%) of revenue for Marina; and one (1) tenant representing 66.75% (2018: one (1) tenant representing 100%) of total revenue for ProvHouse.

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

a) Investment management agreement

Pursuant to an agreement dated December 20, 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 December 20, 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 the management fee in the consolidated statement comprehensive income.

10. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Administrative services agreement

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

c) Property management and leasing arrangement activities

Property management and lease arrangement activities are performed by persons directly employed by the Group since December 20, 2018. Prior to this date, Morley Realty Limited served as the Group's property manager and leasing agent.

As of December 31, 2019, there were deferred lease arrangement fees of $46,968 (2018: $19,110). Included in the consolidated statement of comprehensive income are amounts totaling $15,504 (2018: $6,643) for amortization of such fees.

d) Directors and officers

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

e) Cash at banks and credit facility

The Group has demand deposit accounts with RFMBT, which do not earn interest. As of December 31, 2019, the balances totaled $2,931,187 (2018: $2,621,138).

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. During the year, the facility was not utilized and, accordingly, the Group did not incur interest expense.

f) Other

As of December 31, 2019, related parties owned Nil (2018: 725,476) Class A ordinary shares.

In May 2019, RFMBT entered into a five (5) year lease agreement with ProvHouse for commercial office space.

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments utilized by the Group comprise the financial assets and liabilities recognized 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.

12. 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 types and activities.

Concentration of risks

Concentration of risks 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 realize 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 realized on sales of investment properties, or rental amounts received, will fluctuate significantly as a result of changes in market prices. The price risk of the portfolio of investment properties 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 4 for the impact on fair value of investment properties from the changes in key estimates and assumptions.

12. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk (continued)

Currency risk

Currency risk is the risk that the fair values and/or amounts realized on sales of financial instruments or the settlement of financial liabilities may fluctuate due to changes in foreign exchange rates. The Group is not exposed to significant currency risk, as its financial instruments are denominated in Bahamian dollars, and the majority of its transactions are also denominated in Bahamian dollars. The remaining transactions are denominated in United States dollars. However, this risk is mitigated because the Bahamian dollar/ United States dollar 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 borrowings (Note 6), 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.

The Directors monitor interest rate risk and determine the most appropriate capital structure (i.e. gearing ratio) to maximize 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 it 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 purpose of recognizing 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 revenue (See Note 9).

12. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the risk that the Group will be 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 expenses and borrowing repayment obligations. In addition, the Group maintains flexibility in funding through a committed credit facility (Note 10(e)). 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 6.

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

13. 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 December 31, 2019 is as follows:

	2019	**2018**
Total liabilities	$10,552,824	$ 11,356,451
Less: Cash at banks	(2,931,187)	(2,621,138)
Net debt	7,621,637	8,735,313
Total equity	27,394,527	25,975,901
Total capital	$35,016,164	$ 34,711,214
Gearing ratio	21.77%	25.17%

14. COMPARATIVE INFORMATION

Comparative figures have been re-classified where necessary in line with the presentation requirements for the current year and those reclassifications include the following:

a. Maintenance cost of vacant rental spaces ($1,913,463) and parking maintenance ($321,801) shown separately in the prior year's consolidated financial statements are combined and shown as landlord expenses ($2,235,264) in these consolidated financial statements.

b. Salaries and employee benefits ($9,097) and other ($138,710) shown separately in the prior year's consolidated financial statements are combined and shown as other ($147,807) in these consolidated financial statements.

15. SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization (WHO) announced that Covid-19 is a global health emergency and on March 11, 2020, it declared Covid-19 a pandemic.

Effective March 21, 2020, the Government of The Bahamas in the exercise of Emergency Powers (Covid-19) Regulations, 2020 ordered all establishments, institutions, businesses, offices, stores and organizations to suspend operations to the general public, with the exceptions of essential businesses and services.

As at the date of the auditors' report on these financial statements, management is still in the process of assessing the impact of the above global health emergency on the Group's business operations.

See Independent Auditors' Report on pages 1 to 5.