Consolidated Financial Statements of

BAHAMAS PROPERTY FUND LIMITED

December 31, 2021

BAHAMAS PROPERTY FUND LIMITED
Consolidated Financial Statements

December 31, 2021

C O N T E N T S

The Deanery
#28 Cumberland Street
P.O. Box N-1991
Nassau, The Bahamas

T: +1 (242) 356-4114
F: +1 (242) 356-4125

info@bakertilly.bs
www.bakertilly.bs

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, 2021 and the consolidated statements of comprehensive income/(loss), 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, 2021, 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 2021 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 - $154,400

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 $7,720, 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 5 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 $36,700,000 as at December 31, 2021, 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 2021 (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 2021, 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 consolidated 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.

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

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

Baker Tilly

CHARTERED ACCOUNTANTS

April 13, 2022
Nassau, Bahamas

BAHAMAS PROPERTY FUND LIMITED
Consolidated Statement of Financial Position

December 31, 2021
(Expressed in Bahamian dollars)

	2021	2020
ASSETS		
Current assets		
Cash at bank (Note 10(d))	$ 3,344,277	$ 2,428,233
Trade receivables (Note 4)	103,871	324,154
Other assets	111,677	124,514
Total current assets	**3,559,825**	**2,876,901**
Non-current assets		
Investment properties (Note 5)	36,700,000	33,400,000
Total assets	**$40,259,825**	**$36,276,901**
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and other liabilities	$ 1,401,809	$ 1,018,508
Borrowings (Note 6)	7,618,758	8,429,201
Total current liabilities	**9,020,567**	**9,447,709**
Non-current liabilities		
Security deposits from tenants	356,959	294,783
Total liabilities	**9,377,526**	**9,742,492**
Equity		
Capital – ordinary shares (Note 7)	12,035,000	12,035,000
Retained earnings	18,847,299	14,499,409
Total equity	**30,882,299**	**26,534,409**
Total liabilities and equity	**$40,259,825**	**$36,276,901**

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 13, 2022 and signed on its behalf by:

Michael Anderson
Director

Thomas Hackett
Director

BAHAMAS PROPERTY FUND LIMITED
Consolidated Statement of Comprehensive Income/(Loss)

For the year ended December 31, 2021
(Expressed in Bahamian dollars)

	2021	2020
INCOME		
Rental and parking income (Note 8)	$3,028,704	$2,645,936
Net fair value gain/(loss) on investment properties (Note 5)	3,300,000	(950,000)
Total income	**6,328,704**	**1,695,936**
EXPENSES		
Landlord expenses	1,317,538	1,751,793
Management fee (Notes 10(a), 10(b))	139,186	157,277
Professional fees	71,092	60,755
Directors' fees (Note 10(c))	38,000	16,000
Other	37,925	51,210
Business license fees	15,361	20,948
Bad debts	-	96,340
Total expenses	**1,619,102**	**2,154,323**
OPERATING PROFIT/(LOSS)	4,709,602	(458,387)
Other expenses		
Interest expense and related charges	(361,712)	(401,731)
NET INCOME/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS)	**$4,347,890**	**$ (860,118)**
Weighted average number of ordinary shares outstanding	2,407,000	2,407,000
Basic earnings/(loss) per ordinary share	$ 1.81	$ (0.36)

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, 2021
(Expressed in Bahamian dollars)

	Capital - Ordinary Shares	Retained Earnings	Total
Balance at December 31, 2019	**$12,035,000**	**$15,359,527**	**$27,394,527**
Total comprehensive loss	-	(860,118)	(860,118)
Balance at December 31, 2020	**12,035,000**	**14,499,409**	**26,534,409**
Total comprehensive income	-	4,347,890	4,347,890
Balance at December 31, 2021	**$12,035,000**	**$18,847,299**	**$30,882,299**

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, 2021
(Expressed in Bahamian dollars)

	2021	2020
CASH PROVIDED BY/(USED IN):		
Cash flows from operating activities:		
Net income/(loss) for the year	$ 4,347,890	$ (860,118)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Net fair value (gain)/loss on investment properties	(3,300,000)	950,000
Interest expense	361,712	401,731
Cash provided by operations before changes in operating assets and liabilities	**1,409,602**	**491,613**
Changes in operating assets		
Decrease in trade receivables	220,283	201,862
Decrease in other assets	12,837	15,634
Changes in operating liabilities		
Increase in security deposits from tenants	62,176	14,135
Increase in accounts payable and other liabilities	383,301	21,752
Net cash provided by operating activities	**2,088,199**	**744,996**
Cash flows from financing activities:		
Interest paid	(361,712)	(401,731)
Repayments of borrowings	(810,443)	(846,219)
Net cash used in financing activities	**(1,172,155)**	**(1,247,950)**
Net increase/(decrease) in cash and cash equivalents	916,044	(502,954)
Cash and cash equivalents, beginning of the year	2,428,233	2,931,187
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$ 3,344,277**	**$ 2,428,233**
Represented by:		
Cash at bank	**$ 3,344,277**	**$ 2,428,233**

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 on New Providence, Bahamas; Marina owns One Marina Drive located on Paradise Island, Bahamas; and ProvHouse owns RF House (formerly, Providence House) located on 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 RF House, East Hill Street, Nassau, Bahamas.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO THE STANDARDS

(i) New standards, amendments and interpretations adopted by the Group

New standards, amendments and interpretations to published standards that became effective for the Group's financial year beginning on January 1, 2021 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.

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

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards, amendments and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

b. Basis of preparation

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation

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. Use of estimates and judgments

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.

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), 5	-	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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial assets (continued)

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.

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

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 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 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.

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

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 in the consolidated statement of comprehensive income/(loss) as bad debts. 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 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank, 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 comprise 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.

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/(loss) as a part of net income/(loss) 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/(loss) as a part of net income/(loss). 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/(loss) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. 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 service charges for the following year 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/(loss) as a part of net income/(loss).

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 Group's 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. TRADE RECEIVABLES

	2021	2020
Trade receivables	$ 370,526	$ 645,494
Provision for doubtful accounts	(266,655)	(321,340)
Total	$ 103,871	$ 324,154

4. TRADE RECEIVABLES (continued)

Movements in the provision for doubtful accounts are as follows:

	2021	2020
As of the beginning of the year	$ 321,340	$225,000
Provision for doubtful accounts	-	150,000
Reversal of prior year's provision	(54,685)	(53,660)
As of the end of the year	$ 266,655	$321,340

At the reporting date, the Group had trade receivables past due but not credit-impaired of $103,871 (2020: $102,247); and credit-impaired, representing an ageing of ninety (90) days or greater, of $266,655 (2020: $253,530).

5. 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 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 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.

5. INVESTMENT PROPERTIES (continued)

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.

The movements in investment properties during the year are as follows:

	2021	2020
Balance at beginning of the year	$33,400,000	$34,350,000
Net fair value gain/(loss) on investment properties	3,300,000	(950,000)
Balance at end of the year	$36,700,000	$33,400,000

All investment properties are classified as Level 3 assets.

Investment properties were revalued by independent appraisers as of December 31, 2021. 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.

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

Estimates/Assumptions	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%	$(2,200,000)/$2,200,000

6. BORROWINGS

	2021	2020
RBC Royal Bank (Bahamas) Limited	$7,618,758	$8,429,201

As at December 31, 2021, the RBC Royal Bank (Bahamas) Limited ("the Bank") loan bears interest at Nassau Prime rate plus 0.25% per annum; Nassau Prime rate was 4.25% as of December 31, 2021 (2020: 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.

6. BORROWINGS (continued)

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

- Assignment of the rent's 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 $822,270 (2020: $786,154).

7. CAPITAL

		2021		2020
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 RF Bank & Trust (Bahamas) Limited ("RFBT") (formerly Royal Fidelity Merchant Bank & Trust Limited), a bank incorporated and licensed in The Bahamas.

8. OPERATING LEASES

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:

	2021	2020
No later than 1 year	$1,425,689	$2,080,379
Later than 1 year and no later than 5 years	3,868,658	4,565,005
Later than 5 years	377,208	1,122,426
	$5,671,555	$7,767,810

9. SEGMENT ANALYSIS

Operating segments are reported in accordance with the internal reporting provided to the investment committee of the Investment Manager, 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/(loss); 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, 2021 is as follows:

	Fincen	ProvHouse	Marina	Other	Total
December 31, 2021					
INCOME					
Rental and parking income	$ 2,541,237	$ 314,379	$ 175,844	$ (2,756)	$ 3,028,704
Net fair value gain/(loss) on investment properties	3,900,000	-	(600,000)	-	3,300,000
	6,441,237	314,379	(424,156)	(2,756)	6,328,704
EXPENSES					
Landlord expenses	968,006	-	349,532	-	1,317,538
Management fee	-	-	-	139,186	139,186
Professional fees	19,847	19,102	5,780	26,363	71,092
Directors' fees	-	-	-	38,000	38,000
Other	7,806	412	412	29,295	37,925
Business license fees	13,601	1,079	681	-	15,361
Bad debts	-	-	-	-	-
	1,009,260	20,593	356,405	232,844	1,619,102
Operating profit/(loss)	5,431,977	293,786	(780,561)	(235,600)	4,709,602
Other expenses					
Interest expense and related charges	-	-	(10)	(361,702)	(361,712)
Net income/(loss) and total comprehensive income/(loss)	$ 5,431,977	$ 293,786	$ (780,571)	$ (597,302)	$ 4,347,890
TOTAL ASSETS	$31,600,156	$4,525,157	$3,788,276	$ 346,236	$40,259,825
TOTAL LIABILITIES	$ 1,090,803	$ 225,207	$ 380,847	$7,680,669	$ 9,377,526

9. SEGMENT ANALYSIS (continued)

	Fincen	ProvHouse	Marina	Other	Total
December 31, 2020					
INCOME					
Rental and parking income	$ 2,056,092	$ 302,567	$ 290,952	$ (3,675)	$ 2,645,936
Net fair value (loss) on investment properties	(450,000)	-	(500,000)	-	(950,000)
	1,606,092	302,567	(209,048)	(3,675)	1,695,936
EXPENSES					
Landlord expenses	1,318,433	-	433,360	-	1,751,793
Management fee	-	-	-	157,277	157,277
Bad debts	150,000	-	(53,660)	-	96,340
Professional fees	18,292	16,575	17,331	8,557	60,755
Other	20,695	1,609	18,038	10,868	51,210
Business license fees	19,888	530	530	-	20,948
Directors' fees	-	-	-	16,000	16,000
	1,527,308	18,714	415,599	192,702	2,154,323
Operating (loss)/profit	78,784	283,853	(624,647)	(196,377)	(458,387)
Other expenses					
Interest expense and related charges	-	-	-	(401,731)	(401,731)
Net (loss)/income and total comprehensive (loss)/income	$ 78,784	$ 283,853	$ (624,647)	$ (598,108)	$ (860,118)
TOTAL ASSETS	$26,138,551	$4,766,093	$ 4,623,527	$ 748,730	$36,276,901
TOTAL LIABILITIES	$ 561,173	$ 259,930	$ 435,526	$8,485,863	$ 9,742,492

The Group has concentration risk with its investment properties and related revenue, with three (3) tenant groups representing 80.10% (2020: 81.52%) of revenue for Fincen; one (1) tenant group representing 71.90% (2020: two (2) tenant groups representing 88.24%) of revenue for Marina; and one (1) tenant group representing 74.95% (2020: one (1) tenant representing 74.61%) 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 21, 2014, RFBT serves as the Group's investment manager ("the Investment Manager"). The Investment Manager is entitled to receive a quarterly management fee, payable in arrears, equal to 0.375% 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 of $139,186 (2020: $157,277) is included in the consolidated statement of comprehensive income/(loss).

10. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

b) Administrative services agreement

Pursuant to an agreement dated December 20, 1999; and amended effective January 1, 2019, RFBT serves as the Group's administrator and is entitled to receive a quarterly administration fee of $15,000, payable in arrears, which is included in the common area maintenance costs charged to tenants of the Group.

c) Directors and officers

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

d) Cash at bank and credit facility

The Group has demand deposit accounts with RFBT, which do not earn interest. As of December 31, 2021, the balances totaled $3,344,277 (2020: $2,428,233).

The Group has an unsecured line of credit with RFBT 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.

e) Other

During 2018, RFBT entered into a five (5) year lease agreement with ProvHouse for commercial office space, with rental revenues commencing in May 2019.

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.

The Group has significant geographical concentration risks because its investment properties are located in The Bahamas; specifically, New Providence and Paradise Island. See Note 5 for the impact on fair value of investment properties from changes in key estimates and assumptions.

To mitigate excessive concentration of risks, the Group's policies and procedures include specific guidelines to maintain appropriate diversification. The Group seeks to diversify its exposure by investing in properties that are leased as commercial, office and retail space.

a) Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices and other market factors. The Group is not exposed to price risk as it does not invest in equity securities.

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 a financial institution 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 concentration of credit risk with respect to rental customers is consistent with the concentration of rental and parking income.

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(d)). 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 of 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 bank. 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, 2021 is as follows:

	2021	2020
Total liabilities	$ 9,377,526	$ 9,742,492
Less: Cash at bank	(3,344,277)	(2,428,233)
Net debt	6,033,249	7,314,259
Total equity	30,882,299	26,534,409
Total adjusted capital	$36,915,548	$33,848,668
Gearing ratio	16.34%	21.61%

14. COVID-19 PANDEMIC

In December, 2019, a novel strain of coronavirus ("COVID-19") surfaced in Wuhan, China. This virus continues to spread around the world, resulting in business and social disruption. COVID-19 was declared a global pandemic by the World Health Organization on March 11, 2020.

As at the reporting date, any impact on the balances due to the ongoing COVID-19 pandemic has been appropriately accounted for in accordance with the reporting framework. Management does not believe there is any risk to the Group's ability to continue as a going concern for the foreseeable future from the reporting date due to the COVID-19 pandemic.

Management has evaluated all significant activities through to the date these consolidated financial statements were available to be issued and concluded that no additional subsequent events occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

See Independent Auditors' Report on pages 1 to 5.