BAHAMAS PROPERTY FUND LIMITED

Consolidated Financial Statements
31 December 2013

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Bahamas Property Fund Limited

We have audited the accompanying consolidated financial statements of Bahamas Property Fund Limited and its subsidiaries, which comprise the consolidated balance sheet as of 31 December 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bahamas Property Fund Limited and its subsidiaries as of 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants
5 May 2014

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

Consolidated Balance Sheet
As of 31 December 2013
(Expressed in Bahamian dollars)

	2013 $	2012 $
ASSETS		
Non-current assets		
Investment property (Note 3)	46,733,000	45,482,000
Current assets		
Other assets	180,970	196,271
Trade receivables (Note 4)	979,776	1,249,042
Cash at banks	3,562,369	2,764,656
	4,723,115	4,209,969
Total assets	**51,456,115**	**49,691,969**
LIABILITIES		
Non-current liabilities		
Borrowings (Note 5)	12,690,085	13,871,369
Security deposits from tenants	146,312	125,677
	12,836,397	13,997,046
Current liabilities		
Accrued expenses and other liabilities	2,177,209	1,842,962
Unearned rental income	15,750	40,500
Borrowings (Note 5)	1,357,779	1,331,994
	3,550,738	3,215,456
Total liabilities	**16,387,135**	**17,212,502**
EQUITY		
Share capital (Note 6)	24,070	24,070
Share premium (Note 6)	12,010,930	12,010,930
Retained earnings	23,033,980	20,444,467
Total equity	**35,068,980**	**32,479,467**
Total liabilities and equity	**51,456,115**	**49,691,969**

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

Director **Director**

5 May 2014
Date

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

Bahamas Property Fund Limited

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2013
(Expressed in Bahamian dollars)

	2013 $	2012 $
INCOME		
Rental and parking revenue	4,227,059	4,354,164
Net fair value gain/(loss) on investment property (Note 3)	1,251,000	(987,661)
	5,478,059	**3,366,503**
EXPENSES		
Maintenance cost of vacant rental space	1,202,756	1,324,144
Parking maintenance	345,487	347,753
Management fee [Note 9(a)]	197,938	198,857
Professional fees	45,239	39,683
Business license fees	32,650	65,000
Directors' fees	20,000	20,000
Provision for doubtful accounts (Note 4)	2,488	208,668
Other	81,133	50,796
	1,927,691	**2,254,901**
Operating profit	**3,550,368**	**1,111,602**
Interest income	15,201	20,641
Interest expense and related charges	(976,056)	(1,053,786)
Net income and total comprehensive income	**2,589,513**	**78,457**
Weighted average number of ordinary shares outstanding	**2,407,000**	**2,407,000**
Earnings per share	**$1.08**	**$0.03**

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

Bahamas Property Fund Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2013
(Expressed in Bahamian dollars)

	Share Capital $	**Share Premium $**	**Retained Earnings $**	**Total $**
As of 1 January 2012	24,070	12,010,930	20,847,410	32,882,410
Total comprehensive income	-	-	78,457	78,457
Transactions with owners				
Dividends	-	-	(481,400)	(481,400)
Total transactions with owners	-	-	(481,400)	(481,400)
As of 31 December 2012	**24,070**	**12,010,930**	**20,444,467**	**32,479,467**
As of 1 January 2013	24,070	12,010,930	20,444,467	32,479,467
Total comprehensive income	-	-	2,589,513	2,589,513
As of 31 December 2013	**24,070**	**12,010,930**	**23,033,980**	**35,068,980**

Dividends per share $Nil (2012: $0.20)

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

Bahamas Property Fund Limited

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2013
(Expressed in Bahamian dollars)

	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	2,589,513	78,457
Adjustments for:		
Net fair value (gain)/loss on investment property	(1,251,000)	987,661
Provision for doubtful accounts	2,488	208,668
Interest income	(15,201)	(20,641)
Interest expense and related charges	976,056	1,053,786
Interest received	15,201	20,641
(Increase)/Decrease in operating assets		
Other assets	15,301	273,320
Trade receivables	266,778	(127,346)
Increase/(Decrease) in operating liabilities		
Accrued expenses and other liabilities	334,247	69,417
Unearned rental income	(24,750)	(5,700)
Security deposits from tenants	20,635	(5,658)
Net cash from operating activities	**2,929,268**	**2,532,605**
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	-	(79,661)
Net cash used in investing activities	**-**	**(79,661)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(949,292)	(1,024,039)
Repayment of borrowings	(1,182,263)	(1,120,763)
Dividends paid	-	(481,400)
Net cash used in financing activities	**(2,131,555)**	**(2,626,202)**
Net increase/(decrease) in cash and cash equivalents	**797,713**	**(173,258)**
Cash and cash equivalents as of beginning of year	2,764,656	2,937,914
Cash and cash equivalents as of end of year	**3,562,369**	**2,764,656**
CASH AND CASH EQUIVALENTS		
Cash at banks	**3,562,369**	**2,764,656**

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

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2013

1. General Information

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

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

The ordinary Class A shares of the Company are listed and traded on The Bahamas International Securities Exchange.

The registered office of the Company and its subsidiaries is located at 51 Frederick Street, Nassau, Bahamas. The Group's affairs are managed entirely by service providers (Note 9).

2. Summary of Significant Accounting Policies

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

(a) Basis of preparation

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

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

New and amended standards adopted by the Group

During the current year, the Group adopted IFRS 13 *Fair Value Measurement* (IFRS 13) that became effective for its financial year beginning on 1 January 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Where IFRS 13 requires additional disclosures to be made in the consolidated financial statements, these have been included.

The remaining standards and amendments and interpretations to published standards that became effective for the Group's financial year beginning on 1 January 2013 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.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

The application of new standards and amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Group's accounting policies or consolidated financial statements in the financial period of initial application.

(b) Principles of consolidation

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

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

(c) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

(d) Investment property

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

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2013
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(d) Investment property (continued)

Investment property is measured initially at its cost, including related transaction costs. Subsequently, investment property is carried at fair value. Fair value is based on valuation methods using discounted cash flow projections. These valuations are reviewed annually by an independent appraiser who holds recognised and relevant professional qualifications and has recent experience in the category of the investment property being valued. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the fair value of the property.

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

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group assesses at each balance sheet date whether there is objective evidence that a trade receivable or group of trade receivables is impaired. A provision for doubtful accounts is established when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised as a part of net income in the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised as a part of net income in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the related allowance account. Recoveries of accounts previously written off are recognised directly in the consolidated statement of comprehensive income as a part of net income.

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2013
(Continued)

2. Summary of Significant Accounting Policies (Continued)

(f) Borrowings

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

Preference shares, which are mandatorily redeemable on a specific date, are classified as financial liabilities. The dividends on these preference shares are recognised in the consolidated statement of comprehensive income as interest expense.

The portions of borrowings due within twelve months after the balance sheet date are classified as current liabilities.

(g) Other liabilities

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

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

(h) 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 Class A shares are recognised in equity in the financial period in which they are approved by the Company's Directors. Dividends declared after the balance sheet date, but before the consolidated financial statements are issued, are dealt with in the subsequent events note.

(i) Leases

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

(j) Income and expense recognition

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

2. Summary of Significant Accounting Policies (Continued)

(j) Income and expense recognition (continued)

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

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

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

(k) Building maintenance costs

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

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.

(l) Taxation

The Company and its subsidiaries are incorporated under the laws of The Bahamas and are therefore not subject to income, capital gains or other corporate taxes. The Group’s operations do not subject it to taxation in any other jurisdiction.

(m) 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.

(n) Cash and cash equivalents

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

2. Summary of Significant Accounting Policies (Continued)

(o) Corresponding figures

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

3. Investment Property

Movements in investment property comprise:

	2013 $	2012 $
As of 1 January	45,482,000	46,390,000
Additions	-	79,661
Net fair value gain/(loss) on investment property	1,251,000	(987,661)
As of 31 December	**46,733,000**	**45,482,000**

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 types of inputs lead to the following fair value hierarchy:

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

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

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

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

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

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

The fair value of non-financial assets traded in active markets is based on quoted market prices at the balance sheet date. 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.

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2013
(Continued)

3. Investment Property (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.

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 land and buildings. Investment properties were revalued by independent appraisers as of 31 December 2013.

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

Estimate/Assumption	Change	Impact on total equity
Rental revenue	+5.00%/-5.00%	$2,336,609/($2,336,609)
Vacancy rates	+3.00%/-3.00%	($1,626,998)/$1,626,998
Discount rate	+0.50%/-0.50%	($2,459,588)/$2,748,951

4. Trade Receivables

	2013 $	2012 $
Trade receivables	979,776	1,249,042
Provision for doubtful accounts	-	-
Total	**979,776**	**1,249,042**

Movements in provision for doubtful accounts are as follows:

	2013 $	2012 $
As of 1 January	-	-
Provision for doubtful accounts	2,488	208,668
Trade receivables written off	(2,488)	(208,668)
As of 31 December	-	-

As of 31 December 2013, the Group had receivables past due but not impaired of $427,375 (2012: $439,443).

5. Borrowings

Borrowings comprise:

	2013	**2012**
	$	**$**
Bank loan 1	10,402,031	5,699,763
Bank loan 2	-	5,857,767
Preference shares	3,500,000	3,500,000
	13,902,031	15,057,530
Accrued interest	145,833	145,833
Total	**14,047,864**	**15,203,363**

As of 31 December 2013, the bank loan bears interest at 5.25% per annum. During 2013, the Group consolidated bank loan 1 and bank loan 2 which bore interest at the Bahamian dollar Prime rate of 4.75% (2012: 4.75%) per annum and 6.00% per annum, respectively. The bank loans are repayable in monthly installments of blended principal and interest in the aggregate amount of $145,398 (2012: $149,485) and mature in April 2021. The bank loans are supported by:

- Guarantee and postponement of claims in the amount of $14,500,000 signed by Fincen and in the amount of $4,500,000 signed by Marina supported by Directors' resolutions.
- Registered first demand debenture signed by both Fincen and Marina incorporating a fixed charge over the Bahamas Financial Centre and One Marina Drive and a floating charge over all other assets.
- 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.

Preference shares represent 35,000 cumulative redeemable non-voting preference shares issued at $100 per share and with a coupon rate of 10.00% per annum; coupons are payable semi-annually. The preference shares mature on 31 July 2015.

The portions of borrowings due within one year are as follows:

	2013	**2012**
	$	**$**
Bank loan 1	1,211,946	617,224
Bank loan 2	-	568,937
	1,211,946	1,186,161
Accrued interest	145,833	145,833
Total	**1,357,779**	**1,331,994**

6. Share Capital and Share Premium

The authorised capital of the Company is $110,000, comprised of 10,000,000 non-voting, participating ordinary Class A shares with a par value $0.01 each; 1,000,000 cumulative redeemable non-voting preference shares with a par value $0.01 each; and 1,000 voting, non-participating ordinary management shares with no par value. The preference shares are classified as financial liabilities based on their terms (Note 5).

As of 31 December 2013, 2,407,000 (2012: 2,407,000) ordinary Class A shares and all of the ordinary management shares are issued and fully paid.

The initial issue price per ordinary Class A share was $5 and thereafter shares shall be issued at the discretion of, and at a price to be determined by, the Directors. The excess of the issue price over the par value was credited to the share premium account.

The ordinary management shares have been excluded from these consolidated financial statements given they do not participate in the earnings of the Group. The ordinary management shares are owned by Royal Fidelity Merchant Bank & Trust Limited (RFMBT), a bank incorporated and licensed in The Bahamas.

7. Rental and Parking Revenue

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

	2013 $	2012 $
No later than 1 year	3,228,670	2,498,061
Later than 1 year and no later than 5 years	7,603,960	3,904,384
	10,832,630	**6,402,445**

8. Segment Analysis

The information provided about each segment is based on the internal reports about the segment's profit or loss, assets, liabilities and other information, which are regularly reviewed by the chief operating decision-maker, the investment committee of the Investment Manager.

Segment assets and liabilities comprise operating assets and liabilities represented in the consolidated balance sheet. Included in total liabilities for Marina is an amount totalling $1,082,288 (2012: $988,145) relating to government taxes that are being clarified by management; a favourable resolution for the Group would result in a reduction in this liability and the related trade receivables from applicable tenants.

Segment information for the reportable segments for the year ended 31 December 2013 is presented in the table below. The Group has concentration risk with its investment property and related rental revenue, with 2 tenant groups representing 80% (2012: 2 tenant groups representing 77%) of revenue for FinCen; 3 tenant groups representing 88% (2012: 2 tenant groups representing 73%) of revenue for Marina; and 1 tenant representing the total revenue for ProvHouse.

Bahamas Property Fund Limited

Notes to the Consolidated Financial Statements
31 December 2013
(Continued)

8. Segment Analysis (Continued)

31 December 2013	**Fincen** $	**Marina** $	**ProvHouse** $	**All other segments** $	**Total** $
INCOME					
Rental and parking revenue	3,002,305	792,754	432,000	-	4,227,059
Net fair value gain/(loss) on investment property	855,000	278,000	118,000	-	1,251,000
EXPENSES					
Maintenance cost of vacant rental space	969,849	227,922	4,985	-	1,202,756
Parking maintenance	345,487	-	-	-	345,487
Management fee	-	-	-	197,938	197,938
Provision for doubtful accounts	2,488	-	-	-	2,488
Other	36,440	20,793	22,625	99,164	179,022
Operating profit/(loss)	2,503,041	822,039	522,390	(297,102)	3,550,368
Interest income	4,524	6,100	2,855	1,722	15,201
Interest expense and related charges	(147,766)	(252,391)	(350,000)	(225,899)	(976,056)
Net income/(loss) and total comprehensive income/(loss)	**2,359,799**	**575,748**	**175,245**	**(521,279)**	**2,589,513**
TOTAL ASSETS	**34,494,684**	**11,823,890**	**5,101,870**	**35,671**	**51,465,115**
TOTAL LIABILITIES	**(273,407)**	**(1,211,328)**	**(3,645,833)**	**(11,256,567)**	**(16,387,135)**
31 December 2012					
INCOME					
Rental and parking revenue	3,100,580	815,584	438,000	-	4,354,164
Net fair value gain/(loss) on investment property	(1,317,000)	296,000	33,339	-	(987,661)
EXPENSES					
Maintenance cost of vacant rental space	997,039	327,105	-	-	1,324,144
Parking maintenance	347,753	-	-	-	347,753
Management fee	-	-	-	198,857	198,857
Provision for doubtful accounts	208,668	-	-	-	208,668
Other	6,095	16,201	22,625	130,558	175,479
Operating profit/(loss)	224,025	768,278	448,714	(329,415)	1,111,602
Interest income	6,679	7,308	4,676	1,978	20,641
Interest expense and related charges	(243,124)	(247,979)	(350,000)	(212,683)	(1,053,786)
Net income/(loss) and total comprehensive income/(loss)	**(12,420)**	**527,607**	**103,390**	**(540,120)**	**78,457**
TOTAL ASSETS	**33,797,623**	**11,026,899**	**4,578,351**	**289,096**	**49,691,969**
TOTAL LIABILITIES	**(86,984)**	**(1,105,164)**	**(3,645,833)**	**(12,374,521)**	**(17,212,502)**

9. Related Party Balances and Transactions

Related parties include the Directors and those entities that have the ability to control or exercise significant influence over the Group in making financial or operational decisions, and entities that are controlled, jointly controlled or significantly influenced by these entities. Related party balances and transactions, not disclosed elsewhere in these consolidated financial statements, are as follows:

(a) Investment management agreement

Pursuant to an agreement dated 20 December 1999, Royal Fidelity Pension & Investment Services Limited, a company incorporated in The Bahamas, 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 Investment Manager is required to compensate RFMBT, for administrative services it provides, out of the investment management fee charged to the Group.

The agreement expired on 20 December 2002 and has been renewed for successive terms of one year.

Certain directors of the Investment Manager are also directors of the Company.

(b) Administrative services agreement

Pursuant to an agreement dated 20 December 1999, RFMBT provides the Group with administrative services. RFMBT is compensated by the Investment Manager out of the investment management fee. The agreement expired on 20 December 2002 and has been renewed for successive terms of one year.

As of 31 December 2013, the Group has deposits with RFMBT totalling $3,562,369 (2012: $2,764,656) that earn interest at 0.50% per annum. Additionally, the Group has an unsecured credit facility of $1,000,000 from RFMBT, which bears interest at a rate of 8.50% per annum. This facility was unused as of 31 December 2013 and 2012.

(c) Property management and leasing agency agreement

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

Morley is also entitled to lease arrangement fees for serving as leasing agent. Such fees are payable upon the execution of a lease for new tenancy and upon the exercising of any predetermined renewal options. The maximum lease arrangement fees payable to Morley may not exceed three months of net rent under the applicable lease agreement. The agreement expired on 20 December 2002 and has been renewed for successive terms of one year.

As of 31 December 2013 and 2012, there were deferred lease arrangement fees of $22,038 (2012: $ Nil). Included in the consolidated statement of comprehensive income are amounts totalling $4,593 (2012: $ Nil) for amortisation of such fees.

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9. Related Party Balances and Transactions (Continued)

(d) Real estate advisory agreement

Pursuant to an agreement dated 20 December 1999, Morley serves as real estate advisor to the Group. Morley is entitled to a fee not to exceed 2.50% of the transaction value or net price of all real property acquisitions, disposals and exchanges by the Group. The agreement expired on 20 December 2002 and has been renewed for successive terms of one year.

(e) Borrowings and share capital

As of 31 December 2013, related parties own 50% (2012: 50%) of the outstanding preference shares. Interest expense on these preference shares amounted to $175,000 (2012: $175,000). Further, as of 31 December 2013, RFMBT and its related parties own 16% (2012: 16%) of the outstanding ordinary Class A shares.

10. Financial Risk Management

The Group engages in transactions that expose it to price, interest rate, credit and liquidity risks in the normal course of operations. The Group's financial performance is affected by its capability to understand and effectively manage these risks.

(a) Price risk

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

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

(b) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of changes in market interest rates. The Group's cash flow interest rate risk arises from its long term bank borrowings (Note 5), which bear variable interest rates. Interest costs may increase as a result of such changes, and may reduce gains or create losses in the event that unexpected movements arise. The variable rate loan was consolidated with the fixed interest rate loan, thereby eliminating the cash flow interest rate risk.

Borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. The Group does not hedge against its fair value interest rate risk exposure.

Trade receivables and other financial assets and financial liabilities generally do not bear interest and have settlement dates of less than one year.

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

10. Financial Risk Management (Continued)

(c) Credit risk

Credit risk is the risk that a counterparty will be unable or unwilling to meet a commitment that is entered into with the Group. Credit risk arises from cash at banks as well as credit exposures with respect to rental customers, including outstanding trade receivables. The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. The Group has no significant concentrations of credit risk with respect to rental customers. Cash balances are placed with financial institutions in good standing with the Central Bank of The Bahamas.

(d) Liquidity risk

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

11. 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 balance sheet, plus net debt.

The gearing ratio as of 31 December 2013 is as follows:

	2013 $	2012 $
Total liabilities	16,387,135	17,212,502
Less: Cash at banks	(3,562,369)	(2,764,656)
Net debt	12,824,766	14,447,846
Total equity	35,068,980	32,479,467
Total capital	**47,893,746**	**46,927,313**
Gearing ratio	**26.78%**	**30.79%**

12. Fair Value of Financial Instruments

Financial instruments utilised by the Group comprise the financial assets and liabilities recognised in the consolidated financial statements. The Group's financial instruments are principally short term in nature or have interest rates that reset to market interest rates; accordingly, their fair values approximate their carrying values. For long term financial liabilities with fixed interest rates, despite a change in market rates since the issuance of the financial liabilities there has been no observable change in fair values; accordingly, the carrying values approximate fair values.