



2018 ANNUAL REPORT



**COLINA**  
REAL ESTATE FUND LTD.



# *contents*

4	<i>Message from The Chairman</i>	<i>Consolidated Statement of Comprehensive Income</i>	16
6	<i>Management's Discussion &amp; Analysis</i>	<i>Consolidated Statement of Changes in Equity</i>	17
10	<i>Consolidated Financial Statements</i>	<i>Consolidated Statement of Cash Flows</i>	18
13	<i>Independent Auditors' Report</i>	<i>Notes to Consolidated Financial Statements</i>	19
15	<i>Consolidated Statement of Financial Position</i>		

*message from  
the chairman*

## *Dear Shareholders,*

Colina Real Estate Fund Ltd. (CREFL) continues to perform well despite the economic challenges presented in the local market.

The Company's balance sheet recorded total assets of \$14.4 million, which evidenced a growth in total assets of \$0.3 million with the bulk of this gain being directly attributable to a \$0.2 million increase in the Company's property values as a result of an independent valuation exercise undertaken earlier in the year. Total liabilities stood at \$2.6 million and represented a \$0.3 million improvement year on year. Based on the foregoing, total equity stood at \$11.8 million as at December 31st, 2018, compared to \$11.2 million as at December 31st, 2017.

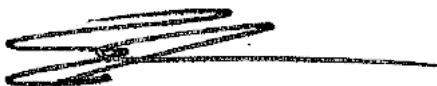
The Company recorded net income of \$0.6 million for the year ended December 31st, 2018 compared to \$0.3 million in 2017, marking a \$0.3 million improvement in net income. The improvement in net income is largely attributable to a reduction in ongoing general and administrative expenses of \$0.3 million and the fair value gain of \$0.2 million previously referenced.

CREFL properties remain over 90% occupied, however, we are closely monitoring our Freeport property where a major tenant is facing increasing challenges to sustain its economic viability.

The Company continues to look for opportunities to expand and grow and to this point we have received approval for an expansion of the RND Plaza West in Nassau. The Company is mobilizing its plans to begin this project over the short term.

As always, we are both grateful for and reliant upon the continued support of you, our shareholders, as we work together to continue building on CREFL's success.

Sincerely,



COLINA REAL ESTATE FUND LTD.  
Emanuel M. Alexiou  
Chairman

# *Management's Discussion & Analysis*

*Colina Real Estate Fund Ltd. (CREFL) - Management's Discussion and Analysis (MD&A)  
for the year ended December 31, 2018.*

## FORWARD-LOOKING STATEMENTS

This report provides an analysis of the Company's financial condition and results of operations. Historical information is presented and discussed and, where appropriate, the report may contain forward-looking statements about the Company including its business operations, strategies, and expected financial performance. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, and that indicate or imply future results, performance or achievements. Such forward-looking statements may include words like "believes", "expects", "estimates", "intends", "projects", "anticipates", "plans", and other words or phrases with similar meaning.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties, and assumptions about the Company that may cause actual results to differ significantly from those expressed or implied. As a result of these uncertainties, readers should not place undue reliance on forward-looking statements as a prediction of actual results.

Colina Real Estate Fund Ltd. (formerly RND Holdings Ltd.) was incorporated in The Bahamas on September 6th, 1994 under the provisions of the Companies Act 1992. On April 19th, 2011, the Company adopted its present name. At December 31, 2018, 84% of the Company's issued ordinary shares were owned by Colina Insurance Limited ("the Majority Shareholder").

## BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The Consolidated Financial Statements of the Company on which the information presented in this report is based have been prepared in accordance with International Financial Reporting Standards. This report should be read in conjunction with the annual consolidated financial statements and accompanying note disclosures.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

A description of changes in accounting policies and disclosures is included in Note 2 to the Consolidated Financial Statements.

## OVERALL PERFORMANCE

### Colina Real Estate Fund Ltd. (CREFL)

Statistical Financial Reporting data

(All data in B\$000s with exception of \$ per share amounts)

For the year ended December 31, 2018

	2018	2017	2016	2015
Net Income for the year	\$632	\$285	\$394	\$1,627
Net income for ordinary shareholders	\$632	\$285	\$394	\$1,627
Revenue	\$1,505	\$1,495	\$1,489	\$1,455
Total assets	\$14,383	\$14,055	\$14,005	\$13,855
Total invested assets	\$14,216	\$13,799	\$13,590	\$13,697
Share capital	\$96	\$97	\$97	\$97
Total Equity	\$11,788	\$11,167	\$10,894	\$10,510
Return as a % of total assets	4.39%	2.03%	2.81%	11.74%
Return on total equity	5.36%	2.56%	3.61%	15.48%
Earnings per ordinary share	\$0.07	\$0.03	\$0.03	\$0.16

# Board of Directors



**Emanuel M. Alexiou,** Chairman  
Executive Vice Chairman,  
Colina Insurance Limited  
Senior Partner, Alexiou, Knowles & Co.  
Publisher, The Nassau Guardian Ltd.  
Director since 2010



**Anthony Ferguson,** Director  
President, Colina Financial Advisors Ltd.  
Director since 2010



**Kenneth Donathan,** Director  
President, Colina Real Estate Fund Ltd.  
Director since 2010



**James Smith,** Director  
Chairman, Colina Financial Advisors Ltd.  
Director since 2013



**Andrew Alexiou,** Secretary  
Managing Director,  
Ansbacher (Bahamas) Limited  
Director since 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS

CREFL's principal operation is the management and rental of its commercial properties. CREFL has in excess of 70,000 sq. ft. of commercial retail space between its New Providence and Freeport plazas.

For the 12-month period ended December 31st, 2018, revenues totaled \$1.5 million, remaining relatively consistent with prior year. The plazas are located in prime commercial locations which is further evidenced by the plazas average occupancy levels which exceed 90%.

CREFL's balance sheet showed total assets of \$14.4 million which compared with prior year of \$14.1 million. Total liabilities decreased in 2018 to \$2.6 million as compared to \$2.9 million in 2017.

Based on the foregoing, total equity increased by \$0.6 million. Total equity stood at \$11.8 million in 2018 compared to \$11.2 million in 2017.

*Statistical Financial Reporting data  
(All data in B\$000s with exception of \$ per share amounts)  
For the year ended December 31, 2018*

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total Revenue	\$381	\$366	\$380	\$377	\$378	\$364	\$378	\$375
Net Earnings by quarter								
Total net income	\$301	\$120	\$107	\$104	\$51	\$95	\$67	\$72
Net income attributable to ordinary shareholders	\$301	\$120	\$107	\$104	\$51	\$95	\$67	\$72
Quarterly earnings per Ordinary Share	\$0.03	\$0.02	\$0.01	\$0.01	\$0.01	\$0.01	\$0.00	\$0.01



*consolidated  
financial statements*

For the year ended December 31, 2018



Consolidated Financial Statements

**COLINA REAL ESTATE FUND LTD.**

Year ended December 31, 2018

## **COLINA REAL ESTATE FUND LTD.**

### Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in United States dollars)

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	Page
Independent Auditors' Report	13-14
Consolidated Statement of Financial Position	15
Consolidated Statement of Comprehensive Income	16
Consolidated Statement of Changes in Equity	17
Consolidated Statement of Cash Flows	18
Notes to Consolidated Financial Statements	19-39



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Colina Real Estate Fund Ltd.

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Colina Real Estate Fund Ltd. and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its 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 Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code"), and 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.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information to be included in the Company's annual report (but does not include the 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 financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

When we read the annual report, 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.



*Responsibilities of Management and Those Charged with Governance for the Financial Statements  
(continued)*

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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.

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.

**KPMG**

Nassau, Bahamas

May 22, 2019

# COLINA REAL ESTATE FUND LTD.

## Consolidated Statement of Financial Position

December 31, 2018, with corresponding figures for 2017  
(Expressed in Bahamian dollars)

	Note		2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	19	\$	116,066	5,035
Accounts receivable, net	5, 19		131,010	205,687
Prepayments and deposits			22,553	27,118
Investments	6, 17, 19		580,128	574,137
Total current assets			849,757	811,977
<b>Non-current assets</b>				
Investment properties	7		13,520,000	13,220,000
Property and equipment	8		12,936	22,551
Total non-current assets			13,532,936	13,242,551
Total assets		\$	14,382,693	14,054,528
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Bank overdraft		\$	-	28,501
Accounts payable and accrued expenses	10, 17		124,177	115,966
Current portion of long-term debt	11, 17, 20		289,724	264,878
Security deposits			148,968	156,547
Total current liabilities			562,869	565,892
<b>Non-current liabilities</b>				
Long-term debt	11, 17, 20		2,031,633	2,321,357
Total liabilities			2,594,502	2,887,249
<b>Equity</b>				
Share capital	12		96,400	96,643
Share premium			6,189,459	6,199,892
Contributed capital			3,175,087	3,175,087
Revaluation reserve			-	30,843
Accumulated surplus			2,327,245	1,664,814
Total equity			11,788,191	11,167,279
Total liabilities and equity		\$	14,382,693	14,054,528

See notes to consolidated financial statements

These consolidated financial statements were approved on behalf of the Board of Directors on May 22, 2019 by the following:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

## COLINA REAL ESTATE FUND LTD.

### Consolidated Statement of Comprehensive Income

Year ended December 31, 2018, with corresponding figures for 2017  
(Expressed in Bahamian dollars)

	Note	2018	2017
Revenue	7, 16	\$ 1,504,673	1,494,604
		1,504,673	1,494,604
General and administrative expenses:			
Maintenance	13	196,838	379,024
Salaries	17	182,970	177,312
Insurance	17	115,634	114,738
Professional fees	17	102,750	103,049
Property taxes		77,019	75,579
Utilities and rent		59,612	71,939
Miscellaneous		53,834	77,236
Directors fees	17	32,000	32,000
Increase in loss allowance	5	22,711	147,149
Janitorial services		16,748	18,858
Business license fees		12,348	12,345
Depreciation and amortization	8, 9	11,323	11,050
		883,787	1,220,279
Operating income		620,886	274,325
Other income	13, 17	24,339	277,809
Finance costs	11, 14, 17	(223,735)	(246,898)
Fair value gain on investment property	7	202,452	-
Net change in fair value of investments	6	7,646	-
Net income		\$ 631,588	305,236
<b>Other comprehensive income</b>			
Net change in fair value of investments		-	(19,739)
Total other comprehensive income		-	(19,739)
Total comprehensive income		\$ 631,588	285,497
<b>Earnings per share</b>			
Basic and diluted		\$ 0.06	0.03

See notes to consolidated financial statements.



## COLINA REAL ESTATE FUND LTD.

### Consolidated Statement of Changes in Equity

Year ended December 31, 2018, with corresponding figures for 2017

(Expressed in Bahamian)

	Share Capital	Share Premium	Contributed Capital	Revaluation Reserve	Accumulated Surplus	Total Equity
Balance at						
December 31, 2016	\$ 96,919	6,211,546	3,175,087	131,338	1,278,822	10,893,712
<b>Total comprehensive income</b>						
Net income	-	-	-	-	305,236	305,236
Transfer from revaluation reserve				(80,756)	80,756	-
Net change in						
fair value of investments	-	-	-	(19,739)	-	(19,739)
Total other comprehensive income	-	-	-	(100,495)	385,992	285,497
<b>Transactions with shareholders of the Company</b>						
Repurchase of shares (Note 12)	(276)	(11,654)	-	-	-	(11,930)
Balance at						
December 31, 2017	96,643	6,199,892	3,175,087	30,843	1,664,814	11,167,279
IFRS 9 transition adjustment	-	-	-	(30,843)	30,843	-
<b>January 01, 2018 - restated</b>						
Net income	-	-	-	-	631,588	631,588
Transfer from revaluation reserve	-	-	-	-	-	-
Net change in						
fair value of investments	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	631,588	631,588
<b>Transactions with shareholders of the Company</b>						
Repurchase of shares (Note 12)	(243)	(10,433)	-	-	-	(10,676)
Balance at						
December 31, 2018	\$ 96,400	6,189,459	3,175,087	-	2,327,245	11,788,191

See notes to consolidated financial statements.

## COLINA REAL ESTATE FUND LTD.

### Consolidated Statement of Cash Flows

Year ended December 31, 2018, with corresponding figures for 2017

(Expressed in Bahamian dollars)

	Note	2018	2017
<b>Operating activities</b>			
Net income		\$ 631,588	305,236
Adjustments for:			
Increase in loss allowance	5	25,590	147,149
Interest expense		221,921	245,269
Realised gain on sale of investment		(147)	(29,920)
Depreciation and amortization	8, 9	11,323	11,050
Fair value gain on investment properties	7	(202,452)	-
Net change in fair value of investments		(7,646)	-
Operating cash flows before movements in working capital		680,177	678,784
Net changes in working capital items:			
Accounts receivable, net		49,087	(21,036)
Prepayments and deposits		4,565	30,891
Security deposits		(7,579)	26,048
Accounts payable and accrued expenses		8,211	(10,173)
Net cash from operating activities		734,461	704,514
Interest paid		(221,921)	(245,269)
Net cash provided by operating activities		512,540	459,245
<b>Investing activities</b>			
Purchase of property and equipment	8	(1,708)	(8,043)
Proceeds from sale of investments		9,302	190,631
Purchase of investments		(7,500)	(391,700)
Renovation of investment properties	7	(97,548)	-
Net cash used in investing activities		(97,454)	(209,112)
<b>Financing activities</b>			
Repayment of long-term debt		(264,878)	(242,162)
Repurchase of shares		(10,676)	(11,930)
Net cash used in financing activities		(275,554)	(254,092)
Net increase/ (decrease) in cash and cash equivalents		139,532	(3,959)
Cash and cash equivalents, beginning of the year		(23,466)	(19,507)
Cash and cash equivalents, end of the year		\$ 116,066	(23,466)
<b>Cash and cash equivalents consist of:</b>			
Cash		\$ 116,066	5,035
Bank overdraft		-	(28,501)
		\$ 116,066	(23,466)

See notes to consolidated financial statements.

# COLINA REAL ESTATE FUND LTD.

## Notes to Consolidated Financial Statements

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### 1. General

Colina Real Estate Fund Ltd. (formerly RND Holdings Ltd.) was incorporated in The Bahamas on September 6, 1994, under the provisions of the Companies Act, 1992. The registered office of the Colina Real Estate Fund Ltd. and its subsidiaries (collectively referred to as “the Company” in these financial statements) is at Trinity Place Annex, Fredrick Street, Nassau, The Bahamas. The company is 84% owned by Colina Insurance Limited (“the Majority Shareholder”). The company acts through its subsidiaries and does not have any principal business activity of its own. As at December 31, 2018, the company’s holdings in subsidiaries are disclosed below:

Name of Subsidiary	Place of Incorporation and Operation	Proportion of Ownership Interest	Principal Activity
RND Properties Limited	The Bahamas	100%	Rental of commercial space
Ticket Xpress Limited	The Bahamas	100%	Dormant
RND Cinemas Limited	The Bahamas	100%	Dormant

### 2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The significant accounting policies are as follows:

*(a) Basis of preparation*

The consolidated financial statements are prepared on the historical cost basis, except for investment properties and investments, which are carried at fair value.

*(b) Functional and presentation currency*

The consolidated financial statements are presented in Bahamian dollars which is the functional currency of the Company.

*(c) Going concern*

These consolidated financial statements have been prepared on the basis of going concern assumption.

*(d) Use of estimates and judgments*

The preparation of the consolidated financial statements in conformity 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, income and expenses. Actual results may 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 estimate are revised and in any future periods affected. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements and significant assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment(s) within the next financial year are included in the following notes:

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

(Expressed in Bahamian dollars)

### 2. Basis of preparation, continued

#### (d) Use of estimates and judgments, continued

Note 5 – Allowance for doubtful accounts.

Note 6 – Fair value of investments

Note 7 – Fair value of Investment properties

#### (e) Change in accounting policy

The Company has initially applied IFRS 9 from January 1, 2018. Due to the transition method chosen by the Company in applying IFRS 9, comparative information has not been restated. IFRS 9 sets out requirements for recognizing and measuring financial assets and financial liabilities and replaces IAS-39 Financial Instruments: Recognition and Measurement. A number of other new standards was also effective from January 1, 2018 but they do not have a material effect on the Company's financial statements.

#### i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had an effect on the Company's accounting policies related to financial liabilities or their carrying amounts as of January 1, 2018.

For an explanation of how the Company classifies and measures financial instruments under IFRS 9, see note 3.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 January 2018.

	<i>Note</i>	<i>Original Classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original carrying amount Under IAS 39</i>	<i>New carrying amount under IFRS 9</i>
Investments	5	Available-for-sale	FVTPL	574,137	574,137
Accounts Receivable	6	Loans and receivables	Amortized cost	205,687	205,687

As noted above, the adoption of IFRS 9 has not had an effect on the carrying amounts of the Company's financial assets. However, as of January 1, 2018, the "Revaluation Reserve" of \$30,843 relating the "Investments" was transferred to profit or loss from equity as a result of change in classification from "Available-for-sale" to "FVTPL".

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### 2. Basis of preparation, continued

*(e) Change in accounting policy, continued*

#### *ii. Impairment of financial assets*

IFRS replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has determined that the application of IFRS 9’s impairment requirements at 1 January 2018 did not result in an additional allowance for impairment. The Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the accounts receivable. Additional information about how the Company measures the allowance for impairment is described in note 3.

#### *iii. Transition*

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied prospectively. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- If a financial asset had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

The new accounting policies relating to financial assets and liabilities are included in note 3 below.

### 3. Summary of significant accounting policies

The Company has applied the following accounting policies to the period presented in these financial statements.

#### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2018. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

## **COLINA REAL ESTATE FUND LTD.**

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### **3. Summary of significant accounting policies, continued**

#### **Basis of consolidation, continued**

- Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including: The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

#### **Investment properties**

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are stated at fair value at the date of the consolidated statement of financial position. Valuations are performed annually with independent assessments done at least every three years, with any adjustment to fair value being based on management's assessment at the date of each consolidated statement of financial position. Investment properties are de-recognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal.

Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal and are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements. Gains or losses arising from changes in the fair values are included in the consolidated statement of comprehensive income in the year in which they arise.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### 3. Summary of significant accounting policies, continued

#### Property and equipment

All property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in profit or loss as incurred. Depreciation is charged so as to write-off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following basis:

Leasehold improvements	33.33%
Furniture, fixtures, and equipment	12.50% to 33%
Vehicles	20%

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

#### Intangible assets

Intangible assets relate to computer software costs incurred by the Company. These intangible assets are measured initially at purchase cost. For subsequent measurement, the Company applies the cost model, and accordingly carries the intangible assets at cost less any accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over an average of five years.

#### Impairment of non-financial and intangible assets

At each date of the consolidated statement of financial position, the Company reviews the carrying amounts of its non-financial and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

## **COLINA REAL ESTATE FUND LTD.**

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### **3. Summary of significant accounting policies, continued**

#### **Impairment of non-financial and intangible assets, continued**

Impairment losses are recognized in the consolidated statement of comprehensive income consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognized in other comprehensive income up to the amount of any previous revaluation. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### **Revenue recognition**

Rental income arising from operating leases is recognized on a straight line basis except for contingent rental income which is recognized when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the consolidated statement of comprehensive income when the right to receive them arises.

Interest income is recognized on an accrual basis.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company only deals with operating leases as a lessor.

#### **Provisions**

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the date of the consolidated statement of financial position, and are discounted to present value when the effect is material.

#### **Foreign currency transactions**

The Company's presentation and functional currency is Bahamian Dollars. In preparing the consolidated financial statements of the Company, transactions in currencies other than Bahamian Dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each date of the consolidated statement of financial position, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date of the consolidated statement of financial position. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.



## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### 3. Summary of significant accounting policies, continued

#### **Financial instruments**

The Company's financial instruments include non-derivative financial assets and financial liabilities. The Company has not designated any financial assets or liabilities as "fair value through profit and loss".

Financial assets and financial liabilities are recognized on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. The subsequent measurement of financial assets depends on their classification. On derecognition of financial assets due to transfer of control or loss of rights to receiving cash flows, the Company evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans, and borrowings. The subsequent measurement of financial liabilities depends on their classification. On derecognition or exchange/modification of a financial liability, the difference in respect of the carrying amount is recognized in the consolidated statement of comprehensive income.

#### **Accounts receivable**

Accounts receivables are recognized at their original invoiced value. Appropriate loss allowances for estimated irrecoverable amounts are recognized in the consolidated statement of comprehensive income and are based on management's evaluation that the Company will not be able to recover its balances in full. Balances are written off in the year in which they are identified. IFRS 9 requires the Company to measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on the payment profiles over a period of 36 months before or up to December 31, 2018 and the corresponding historical credit losses experienced within this period.

## **COLINA REAL ESTATE FUND LTD.**

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### **3. Summary of significant accounting policies, continued**

#### **Financial instruments, continued**

##### **Accounts receivable, continued**

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the Gross Domestic Product (GDP), Consumer Price Index (CPI) and the unemployment rate of The Bahamas to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. On that basis, the loss allowance as at December 31, 2018 and January 1, 2018 (on adoption of IFRS 9) is outlined in note 5.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits with banks, short term bank overdrafts, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### **Investments**

Investments are classified as FVTPL.

Investments classified as FVTPL include equity investments and debt securities. Equity investments classified as FVTPL are those that neither have objective of business model to hold them to collect contractual cash flows nor held to achieve an objective of collecting contractual cash flows and selling those investments. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

The fair value of investments classified as FVTPL that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For FVTPL investments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- NAV per share for investment in Fund
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

After initial measurement, FVTPL financial investments are subsequently measured at fair value with unrealized gains or losses recognized in the profit & loss. Interest earned whilst holding financial investments is reported as interest income, using the effective interest rate method.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## **COLINA REAL ESTATE FUND LTD.**

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### **3. Summary of significant accounting policies, continued**

#### **Investments, continued**

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- (2) Lease receivables;
- (3) Trade receivables and contract assets; and
- (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

#### **Fair value measurement**

The Company measures financial instruments, such as investments, and non-financial assets such as investment properties, at fair value at each consolidated statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous and accessible market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## **COLINA REAL ESTATE FUND LTD.**

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### **3. Summary of significant accounting policies, continued**

#### **Fair value measurement, continued**

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 (i.e. as prices) or indirectly (i.e. derived from the prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

#### **Financial liabilities**

Financial liabilities issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. The Company's financial liabilities consist of accounts payables and long term debt and are measured at amortized cost.

#### **Long-term debt**

Interest-bearing loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premium payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **Share capital**

Share capital issued by the Company is recorded at the proceeds received, net of direct issue costs.

#### **Taxation**

There is currently no taxation imposed on company profits or capital gains by the Government of The Bahamas. Effective January 1, 2015 the Value Added Tax Act, 2014 ("VAT") was implemented in the Commonwealth of The Bahamas. VAT is an indirect tax which is considered a broadly based consumption tax charged on the value added to goods and services. It applies to almost all goods and services that are imported, bought and sold for use or consumption. Conversely, goods exported supplied to customers abroad are exempted or zero-rated. Currently, VAT is assessed at 12%. The Company is a VAT registrant.

## **COLINA REAL ESTATE FUND LTD.**

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### **3. Summary of significant accounting policies, (continued)**

#### **Related parties**

A related party is a person or entity that is related to the Company. A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).

A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

#### **Earnings per share**

Basic earnings per share is computed by dividing the net income attributable to common shareholders by the weighted average number of shares outstanding during the year.

### **4. Significant accounting judgments, estimates and assumptions**

In the application of the Company's accounting policies, which are described in Note 3, management and the directors are required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## **COLINA REAL ESTATE FUND LTD.**

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### **4. Significant accounting judgments, estimates and assumptions, continued**

#### **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets, other than investment property {refer to accounting policy note 3}, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Depreciation and amortization**

Depreciation and amortization are based on management's estimates of the future useful life of property and equipment, and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions, and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. The Company reviews the future useful life of property and equipment and intangible assets periodically taking into consideration the factors mentioned above and all other important factors.

Estimated useful life for similar types of assets may vary between different entities in the Company due to local factors as growth rate, maturity of the market, history, and expectations for replacements or transfer of assets, climate etc. In case of significant changes in the estimated useful lives, depreciation and amortization charges are adjusted prospectively.

#### **Legal proceedings, claims, and regulatory discussions**

The Company is subject to various legal proceedings, claims, and regulatory discussions, the outcomes of which are subject to significant uncertainty. The Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Company to increase or decrease the amount the Company has accrued for any matter, or accrue for a matter that has not been previously accrued because it was not considered probable or a reasonable estimate could not be made.

#### **Going concern**

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Company's management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore the consolidated financial statements continue to be prepared on the going concern basis.

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

(Expressed in Bahamian dollars)

### 5. Accounts receivable, net

Accounts receivable, net is comprised of the following:

		2018	2017
Tenants receivable	\$	489,311	541,277
Loss allowance		(358,301)	(335,590)
	\$	131,010	205,687

The movement in provision for doubtful accounts is as follows:

		2018	2017
Beginning balance	\$	335,590	188,441
Increase in loss allowance		22,711	147,149
Ending balance	\$	358,301	335,590

The loss allowance for trade receivables as at 31 December 2018 was determined as follows:

	2018				
<i>Aging</i>	<i>30 and under</i>	<i>31 – 60</i>	<i>61 – 90</i>	<i>91+</i>	<i>Total</i>
Gross carrying amount -					
Trade receivables	77,095	31,907	22,008	358,301	489,311
Expected loss rate	88.41%	90.6%	97 %	33.43%	-
Loss allowance	68,160	28,908	21,348	119,780	238,196
Overlay of loss allowance	-	-	-	120,105	120,105
Total loss allowance	\$ 68,160	28,908	21,348	239,885	358,301

Loss allowance rates are based on actual credit loss experience over the past three years. These rates are multiplied by the scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the company view of economic conditions over the expected lives of these receivables. The scalar factors used are Gross Domestic Product (GDP), Consumer Price Index (CPI) and the unemployment rate of the Bahamas of 2.2%, 2.5% and -8.7%, respectively. In addition, management has applied overlay adjustments to the loss allowance to ensure non-recoverable balances are fully provided for. No interest is charged on the outstanding balances.

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

(Expressed in Bahamian dollars)

### 6. Investments

Investments are classified as FVTPL and are comprised of the following:

	2018	
	Cost	Fair value
<b>Level 2</b>		
FOCOL Pref 1.75 % APR	\$ 150,000	150,000
CFAL Money Market Fund	380,594	394,351
Colina Holdings (Bahamas) Ltd	14,577	35,777
	\$ 545,171	580,128
	2017	
	Cost	Fair value
<b>Level 2</b>		
FOCOL Pref 1.75 % APR	\$ 150,000	150,000
CFAL Bond Fund	385,542	388,708
Colina Holdings (Bah) Ltd	14,577	35,429
	\$ 550,119	574,137

There were no transfers between levels in 2018 and 2017

### 7. Investment properties

Investment properties are comprised as follows:

	2018	2017
Plaza at John F. Kennedy Drive in Nassau	\$ 8,700,000	8,500,000
Plaza at East Mall Drive in Freeport	4,700,000	4,600,000
Plaza at Marsh Harbour, Abaco	120,000	120,000
	\$ 13,520,000	13,220,000
	2018	
	2017	
Balance, at beginning of year	\$ 13,220,000	13,220,000
Additions during the year	97,548	-
Change in fair value	202,452	-
Balance, at end of year	\$ 13,520,000	13,220,000

The property rental income earned by the Company from its investment properties, all of which are leased out under operating leases, amounted to \$1,504,673 (2017 – \$1,494,604). Direct operating expenses arising on the investment properties in the year amounted to \$755,262 (2017 – \$761,342). During the year 2018, renovations to property at John. F. Kennedy Drive of \$97,548 were capitalized (2017 – \$Nil).

In December 2018, an independent appraisal of the properties was performed by D. Spencer White of Coldwell Bankers & Lightbourn Realty using the Replacement Method and Income Approach. In accordance with this valuation the property at RND Plaza, Nassau was valued at \$8,700,000 leading to an increase in value by \$102,452 and the property at RND Plaza, Freeport was valued at \$4,700,000 leading to an increase in value by \$100,000. This increase in value is reflected under 'other income' in the statement of comprehensive income.



## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

(Expressed in Bahamian dollars)

### 7. Investment properties, continued

Valuation Techniques	Key Significant unobservable inputs	Range (weighted Average)	Inter-relationship between key unobservable inputs and fair value measurements
			<i>The estimated fair value will increase (decrease) if:</i>
Income Approach	Estimated rental value /Sq. ft. / month	\$19.45 - \$29.4/sq. ft. (\$22.5/sq. ft.) (2017: \$21.5/sq. ft.)	Estimated rental values increase/ (decrease)
	Vacancy rate	0.00% - 8.00% (2017: 0.00% -12.50%)	Vacancy rate (decreases)/ increases
Replacement Method	Market value/sq. ft for land	\$825,000	
	Market value/sq. ft for building	\$825,000 \$170	
	Physical depreciation Effective age	30% 15 years	
	Capitalization rate for terminal value	9.00% (2017:8.75%)	Capitalization rates decreases/ (increases)

As at the date of the consolidated statement of financial position, the investment properties were evaluated using a weighted average of the Income approach and the Replacement cost.

The income approach uses annualized cash flows of the two properties stated at \$1.205 million and capitalization rates of 9.0%. The resulting value was determined to be about \$13,350,000 by the External Appraiser.

The Replacement cost is calculated by using current sale values of commercial properties in similar areas. The land on the two properties was valued at \$4,321,500 and the buildings at \$9,132,500 resulting in the replacement valuation of \$13,454,000.

The weighted average of the above properties resulted in the valuation of the properties to be \$8,700,000 and \$ \$4,700,000 for RND Plaza, JFK and RND Plaza, Freeport, respectively.

The Company's investment property has been classified as Level 3 in the fair value measurement hierarchy.

The Company has no restrictions on the reliability of its investment properties and no contractual obligations to either purchase, construct or develop investment property for repair, maintenance and enhancement.

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

(Expressed in Bahamian dollars)

### 8. Property and equipment

The movement in property and equipment is as follows:

	Furniture, fixtures and equipment	Leasehold improvements	Vehicles	Total
<b>Cost or valuation:</b>				
Balance at December 31, 2016	\$ 325,206	30,000	32,329	387,535
Additions	467	-	7,576	8,043
Balance at December 31, 2017	\$ 325,673	30,000	39,905	395,578
Additions	1,708	-	-	1,708
Balance at December 31, 2018	\$ 327,381	30,000	39,905	397,286
<b>Accumulated depreciation:</b>				
Balance at December 31, 2016	\$ 299,648	30,000	32,329	361,977
Charge for the year	10,840	-	210	11,050
Balance at December 31, 2017	\$ 310,488	30,000	32,539	373,027
Charge for the year	8,803	-	2,520	11,323
Balance at December 31, 2018	\$ 319,291	30,000	35,059	384,350
<b>Carrying amount:</b>				
Balance at December 31, 2018	\$ 8,090	-	4,846	12,936
Balance at December 31, 2017	\$ 15,185	-	7,366	22,551

### 9. Intangible assets

Intangible assets as at December 31, 2018 are comprised of computer software which has finite useful lives, over which the asset is amortized. These intangible assets are amortized over their estimated useful lives, which is on average five years, on a straight line basis.

	2018	2017
<b>Computer software:</b>		
Cost:		
At beginning of year	\$ 209,430	209,430
<b>Accumulated amortization:</b>		
At beginning of year	\$ 209,430	209,430
Charge for the year	-	-
At end of year	\$ 209,430	209,430
<b>Carrying amount</b>	\$ -	-

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

(Expressed in Bahamian dollars)

### 10. Accounts payable and accrued expenses

Accounts payable and accrued expenses are as follows:

	2018	2017
Trade payables	\$ -	8,049
Other payables	76,557	64,282
Accrued expenses	47,620	43,635
	\$ 124,177	115,966

The aging of accounts payable and accrued expenses as at December 31, 2018, is as follows:

	2018	2017
Current	\$ 124,177	107,917
31-60 days	-	-
61-90 days	-	-
Over 90 days	-	8,049
	\$ 124,177	115,966

### 11. Long-term debt

	2018	2017
Colina Mortgage Corporation Ltd.	\$ 2,321,357	2,586,235
Less: amounts due after one year	(2,031,633)	(2,321,357)
Current portion of long term debt	\$ 289,724	264,878

Principal amounts due on the above-noted loans are as follows:

	2018	2017
On demand or within one year	\$ 289,724	264,878
In the second year	316,371	289,724
In the third year	346,583	316,371
In the fourth year	378,622	346,583
Fifth year and after	990,057	1,368,679
	\$ 2,321,357	2,586,235

In March 2010, the Company obtained a loan from Colina Mortgage Corporation Ltd. ("CMCO"), a wholly-owned subsidiary of Colina Insurance Limited. This demand installment loan is repayable by 182 regular blended monthly payments of \$37,528, which commenced in April, 2010. The loan bears a fixed interest charge at a rate of 9.00% per annum.

In April 2012, the Company took another loan from CMCO to fund its renovations on its property in Freeport. This loan bears a fixed interest charge at the rate of 9.00% per annum and repayable in 154 monthly installments of \$3,038 starting May 2012.

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

(Expressed in Bahamian dollars)

### 11. Long-term debt, continued

CMCO's loan facility is secured as follows:

Floating charge debenture stamped for \$3,700,000 with power to up stamp giving CMCO a fixed and floating charge over all business assets, incorporating a first legal mortgage over the Marsh Harbour, Abaco, Freeport, Grand Bahama, and JFK Drive, New Providence properties.

Assignment of fire and other perils insurance on the business assets including property, furniture, fixtures, and equipment for full replacement value.

### 12. Share capital

Share capital is comprised as follows:

	2018	2017
Authorized:		
9,639,899 (2017: 9,664,199) Ordinary shares of B\$0.01 each	\$ 96,400	96,643
Issued and fully paid:		
9,639,899 (2017: 9,664,199)	\$ 96,400	96,643

During the year, the Company repurchased and cancelled 24,300 shares (2017: 27,550) ordinary shares at an average price of \$0.44 per share (2017: \$0.44) for a total cost of \$10,676 (2017 - \$11,936).

### 13. Other income

Other income comprises the following:

	2018	2017
Dividend income	\$ 10,278	10,651
Realized gain on sale of investment	147	29,920
Reversal of account payables	13,914	-
Insurance proceeds	-	237,238
	\$ 24,339	277,809

In October 2016, one of the Company's buildings sustained certain damages as a result of a hurricane. The Company filed a claim with its insurers in early 2017, which was settled in November 2017 for \$237,238. The insurance claim proceeds received are included in "Other income" in the consolidated statement of comprehensive income. The related expenses of \$235,882 incurred on the repairs of the damaged property is included in "Maintenance" in the consolidated statement of comprehensive income.

### 14. Finance costs

Finance costs for the year are as follows:

	2018	2017
Interest on long term debt	\$ 221,921	245,269
Bank charges	1,814	1,629
	\$ 223,735	246,898

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

(Expressed in Bahamian dollars)

### 15. Earnings per share

The calculation of the earnings per share attributable to the equity holders of the Company is based on the following data:

	2018	2017
<b>Net income, net</b>		
Net income for the purpose of basic and diluted earnings per share	\$ 631,588	305,236
<b>Number of shares</b>		
Weighted average number of equity shares for the purposes of basic and diluted earnings per share	\$ 9,639,899	9,664,199

There were no potentially dilutive equity shares at the end of the year consequently the basic and diluted earnings per share are equal.

### 16. Operating leases

Property rental income earned during the period was \$1,504,673 (2017 – \$1,494,604). At the date of the consolidated statement of financial position, the future minimum lease payments are as follows:

	2018	2017
Within one year	\$ 824,661	1,409,813
In second to fifth year inclusive	1,015,010	3,223,576
	\$ 1,839,671	4,633,389

### 17. Related party balances and transactions

The Company has identified the following related-party relationships:

- Majority shareholder
- Other entities/affiliates
- Details of balances and transactions between the Company and other related parties are disclosed below:

	2018	2017
<b>Related party balances</b>		
Accounts payable and accrued liabilities	\$ 48,033	29,260
Investments (Note 6)	430,128	424,137
Long-term debt (Note 11)	2,321,357	2,586,235
<b>Related party transactions</b>		
Interest on long term debt (Note 16)	\$ 221,921	245,269
Realized gains on sale of investments	147	5,421
Administrative expenses	281,158	273,365
Insurance proceeds	-	237,238
<b>Compensation of key management personnel</b>		
Salaries, directors fees and professional fees	\$ 204,752	199,122
National insurance and other insurance	10,333	11,019
Other allowances	14,474	17,476

## COLINA REAL ESTATE FUND LTD.

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### 17. Related party balances and transactions, continued

The affiliated companies include Colina Financial Advisors Ltd, Colina General Insurance Agency, The Contact Center, Bahamas Central Security Depository and Alexiou Knowles & Co.

### 18. Fair value of financial assets and liabilities

The directors are of the opinion that the fair value of the financial assets and financial liabilities of the Company approximate their carrying value as reported in these consolidated financial statements either due to their short term nature or because they bear interest at rates, which approximate market rates.

In management's opinion, the fair value of financial assets and liabilities (cash, receivables, other assets, payables, and other liabilities) at the date of the consolidated statement of financial position were not materially different from their carrying values.

### 19. Risk management

#### Financial Risk Management

##### *Cash Flow and Fair Value Interest Rate Risk*

Cash flow risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effect of fluctuations in the prevailing level of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

##### *Credit Risk*

Credit risk arises from the failure of counterparties to perform according to the terms of the contract. From this perspective, the Company's credit risk exposure is primarily concentrated in its deposits, investments and its accounts receivable. The Company manages this risk by placing its deposits with a high-quality financial institution.

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties.

The following table demonstrates the significant assets with credit risk exposure for the Company:

		2018	2017
Cash and cash equivalents	\$	116,066	5,035
Accounts receivable, net		131,010	205,687
Investments		580,128	574,137

##### *Interest Rate Risk*

The Company is exposed to interest rate risk from its long term debt. The Company's exposure to interest rate risk on its investments is immaterial. The Company manages this risk by mainlining tenant base to provide sufficient rental income for the loan interest and principal repayments.

## **COLINA REAL ESTATE FUND LTD.**

Notes to Consolidated Financial Statements, Continued

Year ended December 31, 2018

*(Expressed in Bahamian dollars)*

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### **19. Risk management, continued**

#### **Financial Risk Management, continued**

##### *Fair value sensitivity analysis for fixed rate financial instruments*

The Company does not account for any financial liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not impact profit or loss.

##### *Real Estate Risk*

The Company has identified the following risks associated with the real estate portfolio:

A major tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associated property. To reduce this risk, the Company reviews the financial status of all prospective tenants and decides on the appropriate level of security required via rental deposits or guarantees.

##### *Liquidity risk*

The Company has exposure to liquidity risk and its objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. Details of the Company's exposure to liquidity risk are disclosed throughout the notes to the consolidated financial statements.

##### *Capital Management*

The primary objective of the Company's capital management is to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. No changes were made in the objectives, policies or processes during the years ending December 31, 2018 and December 31, 2017.

During the period, the Company did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

### **20. Events after the reporting period**

As of May 22, 2019, the date of issuance of these consolidated financial statements, there were no events that occurred after the reporting date that require a disclosure in the consolidated financial statements as at December 31, 2018.





# contact information



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**COLINA**  
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