Consolidated Financial Statements

COLINA REAL ESTATE FUND LTD.

Year ended December 31, 2017

COLINA REAL ESTATE FUND LTD.

Consolidated Financial Statements

Year ended December 31, 2017
(Expressed in United States dollars)

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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. ("the Company"), which comprise the consolidated statement of financial position as at December 31, 2017, 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, 2017, 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

May 11, 2018

COLINA REAL ESTATE FUND LTD.
Consolidated Statement of Financial Position

December 31, 2017, with corresponding figures for 2016
(Expressed in Bahamian dollars)

	Note		2017	2016
ASSETS				
Current assets				
Cash and cash equivalents	5, 20	$	5,035	6,869
Accounts receivable, net	6, 20		205,687	331,800
Prepayments and deposits			27,118	58,009
Investments	7, 18, 20		574,137	362,887
Total current assets			811,977	759,565
Non-current assets				
Investment properties	8		13,220,000	13,220,000
Property and equipment	9		22,551	25,558
Total non-current assets			13,242,551	13,245,558
Total assets		$	14,054,528	14,005,123
LIABILITIES AND EQUITY				
Current liabilities				
Overdrawn bank position	5	$	28,501	26,376
Accounts payable and accrued expenses	11, 18		115,966	126,139
Current portion of long-term debt	12, 18, 21		264,878	240,708
Security deposits			156,547	130,499
Total current liabilities			565,892	523,722
Non-current liabilities				
Long-term debt	12, 18, 21		2,321,357	2,587,689
Total liabilities			2,887,249	3,111,411
Equity				
Share capital	13		96,643	96,919
Share premium			6,199,892	6,211,546
Contributed capital			3,175,087	3,175,087
Revaluation reserve			30,843	131,338
Accumulated surplus			1,664,814	1,278,822
Total equity			11,167,279	10,893,712
Total liabilities and equity		$	14,054,528	14,005,123

See notes to consolidated financial statements

These consolidated financial statements were approved on behalf of the Board of Directors on May 11, 2018 by the following:

Director

Director

COLINA REAL ESTATE FUND LTD.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2017, with corresponding figures for 2016
(Expressed in Bahamian dollars)

	Note		2017	2016
Revenue	8	$	1,494,604	1,489,290
			1,494,604	1,489,290
General and administrative expenses:				
Salaries	18		177,312	173,610
Professional fees	18		103,049	103,466
Property taxes			75,579	74,385
Miscellaneous			77,236	77,368
Insurance	18		114,738	114,971
Maintenance	14		379,024	128,990
Directors fees	18		32,000	32,000
Utilities and rent			71,939	76,689
Janitorial services			18,858	15,045
Business license fees			12,345	5,372
Depreciation and amortization	9, 10		11,050	11,265
Bad debt expense	6		147,149	127,961
			1,220,279	941,122
Operating income			274,325	548,168
Other income	14, 18		277,809	109,543
Finance costs	12, 15, 18		(246,898)	(267,973)
Net income		$	305,236	389,738
Other comprehensive (loss)/income				
Net change in fair value of investments			(19,739)	3,896
Total other comprehensive (loss)/income			(19,739)	3,896
Total comprehensive income		$	285,497	393,634
Earnings per share				
Basic and diluted		$	0.03	0.04

See notes to consolidated financial statements.

COLINA REAL ESTATE FUND LTD.

Consolidated Statement of Changes in Equity

Year ended December 31, 2017, with corresponding figures for 2016
(Expressed in Bahamian)

	Share Capital	Share Premium	Contributed Capital	Revaluation Reserve	Accumulated Surplus	Total Equity
Balance at December 31, 2015	$ 97,137	6,220,800	3,175,087	127,442	889,084	10,509,550
Total comprehensive income						
Net income	-	-	-	-	389,738	389,738
Net change in fair value of investments	-	-	-	3,896	-	3,896
Total other comprehensive income	-	-	-	3,896	389,738	393,634
Transactions with shareholders of the Company						
Repurchase of shares (Note 13)	(218)	(9,254)	-	-	-	(9,472)
Balance at December 31, 2016	$ 96,919	6,211,546	3,175,087	131,338	1,278,822	10,893,712
Total Comprehensive income						
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
Transactions with shareholders of the Company						
Repurchase of shares (Note 13)	(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

See notes to consolidated financial statements.

COLINA REAL ESTATE FUND LTD.

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with corresponding figures for 2016
(Expressed in Bahamian dollars)

	Note		2017	2016
Operating activities				
Net income		$	305,236	389,738
Adjustments for:				
Bad debt expense	6		147,149	127,961
Interest paid	15		245,269	266,141
Realised gain on sale of investment	14		(29,920)	(1,150)
Depreciation and amortization	9, 10		11,050	11,265
Write off of payables	14		-	(97,358)
Operating cash flows before movements in working capital			678,784	696,597
Net changes in working capital items:				
Accounts receivable, net			(21,036)	(322,626)
Prepayments and deposits			30,891	(24,146)
Security deposits			26,048	504
Accounts payable and accrued expenses			(10,173)	34,088
Net cash from operating activities			704,514	384,417
Interest paid	15		(245,269)	(266,141)
Net cash provided by operating activities			459,245	118,276
Investing activities				
Purchase of property and equipment	9		(8,043)	(26,525)
Proceeds from sale of investments			190,631	8,700
Purchase of investments			(391,700)	(5,000)
Net cash used in investing activities			(209,112)	(22,825)
Financing activities				
Repayment of long-term debt			(242,162)	(220,657)
Repurchase of shares			(11,930)	(9,472)
Net cash used in financing activities			(254,092)	(230,129)
Net decrease in cash and cash equivalents			(3,959)	(134,678)
Cash and cash equivalents, beginning of the year			(19,507)	115,171
Cash and cash equivalents, end of the year		$	(23,466)	(19,507)
Cash and cash equivalents consist of:				
Cash		$	5,035	6,869
Overdrawn bank position			(28,501)	(26,376)
		$	(23,466)	(19,507)

See notes to consolidated financial statements.

(Expressed in Bahamian dollars)

1. General

Colina Real Estate Fund Ltd. (formerly RND Holdings Ltd.) (the "Company") was incorporated in The Bahamas on September 6, 1994, under the provisions of the Companies Act, 1992. On April 19, 2011, the Company changed its name to Colina Real Estate Fund Ltd. The registered office of the Company and its subsidiaries 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, 2017, the Company's holdings in subsidiaries were as follows:

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. New standards and interpretations not yet adopted

Up to the date of issue of these consolidated financial statements, the International Accounting Standards Board has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended December 31, 2017 and which have not been adopted in these consolidated financial statements. The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations are expected to be in the period of initial application, and so far it has concluded that the adoption of them are unlikely to have a significant impact on the Company's results of operations and financial position, except for:

a) IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company does not plan to adopt this standard early and based on management's assessment, does not believe that there is a significant impact on any of the financial instruments on implementing this standard (IFRS 9) from January 1, 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue.IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018.

2. New standards and interpretations not yet adopted *(continued)*

The Company does not plan to adopt this standard early and since all of the leases are classified as **operating leases** the above standard (IFRS 15) will not be applicable for Colina Real Estate Fund Ltd

b) IFRS 16 *Leases*

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases—Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The standard is effective for annual periods beginning on or after January 1, 2019. The Company plans to adopt this new standard on the effective date. Based on Management's assessments of IFRS 16 they believe that this standard will not have any major impact on its financial statement.

3. Summary of significant accounting policies

Statement of compliance

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

Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair value, as described in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The following is a summary of significant accounting policies adopted by the Company in presenting the consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2017. 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

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**.**

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.

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.

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

Financial instruments

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

Rent and other receivables are recognized at their original invoiced value. Appropriate 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, when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits with banks, 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 available-for-sale investments.

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. 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.

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

Investments *(continued)*

The fair value of available-for-sale investments 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 available-for-sale 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, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the consolidated statement of comprehensive income. Interest earned whilst holding available-for-sale financial investments is reported as interest income, using the effective interest rate method.

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income – is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

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

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

Fair value measurement *(continued)*

- 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.

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:

Fair value measurement

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.

Accounts payable and accrued expenses and other liabilities

Accounts payable and accrued expenses and other liabilities are stated at their nominal values. Trade payables are non-interest bearing and are normally settled on 30-day terms.

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.

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

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 7.5%. The Company is a VAT registrant.

Classification

Assets are classified as current when intended for sale or consumption in the normal operating cycle, held primarily for the purpose of being traded, expected to be realized within twelve months, or classified as cash or cash equivalents. All other assets are classified as non-current.

Liabilities are classified as current when expected to be settled in the normal operating cycle, held primarily for the purpose of being traded, due to be settled within twelve months, or there are no unconditional rights to defer settlement for at least twelve months. All other liabilities are classified as non-current.

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.

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

Related parties *(continued)*

(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.

Impairment

Property and equipment, intangible assets, and investment properties are tested for impairment when circumstances indicate there may be a potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry, or economic trends; and significant cost overruns in the development of assets. Estimating recoverable amounts of assets and companies must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions, and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

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.

(Expressed in Bahamian dollars)

4. Significant accounting judgments, estimates and assumptions *(continued)*

Depreciation and amortization *(continued)*

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.

Provision for doubtful accounts

To cover any shortfalls from current trade and other receivables, the Company records a provision for bad debts based on historical information and on estimates in regard to the solvency of customers. Unexpected financial problems of major customers could result in insufficient provision for bad debts.

5. Cash and cash equivalents

		2017	2016
Cash at bank	$	5,035	6,869
Overdrawn bank position		(28,501)	(26,376)
	$	(23,466)	(19,507)

The company does not have an available overdraft facility. The overdrawn bank position arises because of cheques issued prior to year-end which exceeded the available bank balance.

6. Accounts receivable, net

Accounts receivable, net is comprised of the following:

		2017	2016
Tenants receivable	$	541,277	520,241
Provision for doubtful accounts		(335,590)	(188,441)
	$	205,687	331,800

(Expressed in Bahamian dollars)

6. Accounts receivable, net *(continued)*

The movement in provision for doubtful accounts is as follows:

		2017	2016
Beginning balance	$	188,441	174,304
Written off		-	(113,824)
Provision for the year		147,149	127,961
Ending balance	$	335,590	188,441

The aging of the accounts receivable is as follows:

		2017	2016
Current	$	101,823	135,173
31-60 days		47,259	77,747
61-90 days		38,789	71,715
Over 90 days		353,406	235,606
Provision		(335,590)	(188,441)
	$	205,687	331,800

Accounts receivable, net that are neither past due nor impaired, past due but not impaired, and those that are impaired are analyzed in the table below:

		Neither Past due nor impaired	Past due but not Impaired	Impaired	Total
As at December 31, 2017					
Accounts Receivable	$	101,823	103,864	335,590	541,277
As at December 31, 2016					
Accounts Receivable	$	135,173	149,462	235,606	520,241

7. Investments

Investments are considered as available-for-sale and are comprised of the following:

		2017	
		Cost	**Fair value**
Level 2			
FOCOL Pref 1.75 % APR	$	150,000	150,000
CFAL Money Market Fund		385,542	388,708
Colina Holdings (Bahamas) Ltd		14,577	35,429
	$	550,119	574,137

		2016	
		Cost	**Fair value**
Level 2			
FOCOL Pref 1.75 % APR	$	150,000	150,000
CFAL Bond Fund		153,393	179,026
Colina Holdings (Bah) Ltd		14,577	33,861
	$	317,970	362,887

There were no transfers between levels in 2017 and 2016

(Expressed in Bahamian dollars)

8. Investment properties

Investment properties are comprised as follows:

		2017	2016
Plaza at John F. Kennedy Drive in Nassau	$	8,500,000	8,500,000
Plaza at East Mall Drive in Freeport		4,600,000	4,600,000
Plaza at Marsh Harbour, Abaco		120,000	120,000
	$	13,220,000	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 $1,494,604 (2016 – $1,489,290). Direct operating expenses arising on the investment properties in the year amounted to $761,342 (2016 – $738,397). During the year 2017, renovations to property of $Nil were capitalized (2016 – $Nil). In December 2016, an independent appraisal of the properties was performed by Robin Brownrigg of Bahamas Realty Ltd.

In accordance with the Company's policies for the valuation of investment properties in intervening periods, the fair values of the properties as at December 31, 2017 were based on valuations performed by management using the Discounted Cash Flow Method ("DCF") and the Sales Comparison Method ("SC"). Significant unobservable inputs used in the valuations were as follows:

Value Technique (See Below)	**Significant Unobservable Inputs**	**2017**	**2016**
DCF	Estimated rental rate/sq. ft./p.a.	$ 21.00 to $22.00	$21.00 to $22.00
	Discount rate	9.5% –10.5%	9.5% – 10.5%
	Rent growth p.a.	2.00% – 3%	2.5% – 5.0%
	Expense inflation p.a.	3%	3%
	Capitalization rate for terminal value	8.25% – 9.25%	8.25% – 9.25%
	Vacancy rate	0.% –12.5%	0% – 12.5%

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. A market-derived discount rate is applied to establish the present value of the income streams associated with the property. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of the inflows and outflows are determined by events such as lease renewals, and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of property. Periodic cash flows are typically estimated as gross rental income less vacancy, non-recoverable expenses, maintenance and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

(Expressed in Bahamian dollars)

8. Investment properties *(continued)*

Under the SC method, fair value is determined by a comparison of recent property sales similar to the subject property. The prices for these properties provide the basis for estimating the value of the subject by comparison. Appropriate adjustments are made for the differences in the properties as they compare to the subject. The adjusted process yields various indicators of value which are analyzed and correlated to provide a value estimate for the subject property.

Significant increases (decreases) in estimated rental values and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the property. Significant increases (decreases) in long-term vacancy rates and discount rates in isolation would result in a significantly lower (higher) fair value. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate and an opposite change in the long term vacancy rate. As at the date of the consolidated statement of financial position, the investment properties were evaluated using annualized cash flows of $1.49 million and discount rates of 9.50% and 10.5%. The resulting value was determined to be about $13,287,210 by management. Based on this assessment, impairment indicators, and the underlying factors used, the Directors' are of the opinion that it is prudent and appropriate to value its properties at a fair value of $13,220,000 (2016 – $13,220,000) as at December 31, 2017. Management believes these estimates utilized in preparing the consolidated financial statements are reasonable.

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.

9. Property and equipment

The movement in property and equipment is as follows:

		Furniture, fixtures and equipment	Leasehold improvements	Vehicles	Total
Cost or valuation:					
Balance at December 31, 2015	$	298,681	30,000	32,329	361,010
Additions		26,525	-	-	26,525
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
Accumulated depreciation:					
Balance at December 31, 2015	$	288,383	30,000	32,329	350,712
Charge for the year		11,265	-	-	11,265
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

(Expressed in Bahamian dollars)

9. Property and equipment *(continued)*

Carrying amount:					
Balance at December 31, 2017	$	15,185	-	7,366	22,551
Balance at December 31, 2016	$	25,558	-	-	25,558

10. Intangible assets

Intangible assets as at December 31, 2017 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.

		2017	2016
Computer software:			
Cost:			
At beginning of year	$	209,430	209,430
Accumulated amortization:			
At beginning of year	$	209,430	209,430
Charge for the year		-	-
At end of year	$	209,430	209,430
Carrying amount	$	-	-

11. Accounts payable and accrued expenses

Accounts payable and accrued expenses are as follows:

		2017	2016
Trade payables	$	8,049	16,049
Other payables		64,282	73,395
Accrued expenses		43,635	36,695
	$	115,966	126,139

The aging of accounts payable and accrued expenses as at December 31, 2017, is as follows:

		2017	2016
Current	$	107,917	106,089
31-60 days		-	2,667
61-90 days		-	2,667
Over 90 days		8,049	14,716
	$	115,966	126,139

12. Long-term debt

		2017	2016
Colina Mortgage Corporation Ltd.	$	2,586,235	2,828,397
Less: amounts due after one year		(2,321,357)	(2,587,689)
Current portion of long term debt	$	264,878	240,708

(Expressed in Bahamian dollars)

12. Long-term debt *(continued)*

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

		2017	2016
On demand or within one year	$	264,878	240,708
In the second year		289,724	264,879
In the third year		316,371	289,723
In the fourth year		346,583	316,370
Fifth year and after		1,368,679	1,716,717
	$	2,586,235	2,828,397

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.

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.

13. Share capital

Share capital is comprised as follows:

		2017	2016
Authorized: 9,664,199 (2016: 9,691,749) Ordinary shares of B$0.01 each	$	96,643	96,919
Issued and fully paid: 9,664,199 (2016: 9,691,749)	$	96,643	96,919

During the year, the Company repurchased and cancelled 27,550 shares (2016: 21,800) ordinary shares at an average price of $0.44 per share (2016: $0.43) for a total cost of $11,930 (2016 - $9,472).

(Expressed in Bahamian dollars)

14. Other income

Other income comprises the following:

		2017	2016
Dividend income	$	10,651	11,035
Realized gain on sale of investment		29,920	1,150
Write off payables		-	97,358
Insurance proceeds		237,238	-
	$	277,809	109,543

In 2016, other income included a gain from de-recognition of certain accounts payable due to expiry of term.

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.

15. Finance costs

Finance costs for the year are as follows:

		2017	2016
Interest on long term debt	$	245,269	266,141
Bank charges		1,629	1,832
	$	246,898	267,973

16. Earnings per share

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

		2017	2016
Net income, net			
Net income for the purpose of basic and diluted earnings per share	$	305,236	389,738
Number of shares			
Weighted average number of equity shares for the purposes of basic and diluted earnings per share	$	9,664,199	9,691,749

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

(Expressed in Bahamian dollars)

17. Operating leases

Property rental income earned during the period was $1,494,604 (2016 – $1,489,290). At the date of the consolidated statement of financial position, RND Properties Limited had contracted with tenants for the following future minimum lease payments:

		2017	2016
Within one year	$	867,793	1,464,313
In second to fifth year inclusive		1,606,988	5,066,002
	$	2,474,780	6,530,315

18. 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:

		2017	2016
Related party balances			
Accounts payable and accrued liabilities	$	29,260	69,667
Investments (Note 7)		424,137	212,887
Long-term debt (Note 12)		2,586,235	2,828,397
Related party transactions			
Interest on long term debt (Note 15)	$	245,269	266,141
Realized gains on sale of investments		29,920	1,150
Administrative expenses		273,365	246,013
Insurance proceeds		237,238	-
Rental income		8,087	-
Compensation of key management personnel			
Salaries, directors fees and professional fees	$	199,122	205,620
National insurance and other insurance		11,019	11,854
Other allowances		17,476	9,692

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

19. 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.

The fair value is the value of an asset or liability in an arm's length transaction between unrelated willing and knowledgeable parties. Fair value also assumes that the Company is a going concern, without any intention of liquidation. 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.

20. 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:

		2017	2016
Cash and cash equivalents	$	5,035	6,869
Accounts receivable, net		205,687	331,800
Investments		574,137	362,887

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.

Fair value sensitivity analysis for fixed rate financial instruments

The Company does not account for any financial assets and 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.

20. Risk management *(continued)*

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, 2017 and December 31, 2016.

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.

21. Events after the reporting period

As of May 11, 2018, 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, 2017.