

NEW HEIGHTS



2016
Annual
Report





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CHAIRMAN'S REPORT

DEAR SHAREHOLDER,

Financial Performance

The fiscal year 2016 was the best year of earnings for Benchmark (Bahamas) limited (Benchmark) since becoming a publicly traded company. Revenues grew by 130%, cost increased by 30%, which resulted in strong earnings growth. This performance was supported by positive earnings growth from all members of the Benchmark Group of Companies: Benchmark, Alliance Investment Management (Alliance), Benchmark Advisors (Advisors) and Benchmark Properties (Properties). The difficult strategic business adjustments that management and the board of directors addressed during the past years ensured that once economic and business conditions improved the consolidated earnings results would be a beneficiary. The business model of the Group was placed under a microscope during this period and with surgical precision restructuring of each company occurred. As the economic and business climate stabilized the Group's financial position slowly began to improve. This reporting period represents the strongest annual earnings growth since we began restructuring of the business. For the fiscal year ended December, 2016 the Group's consolidated Net Income was B\$3,096,365 contributed by Benchmark B\$621,245, Alliance B\$2,221,868, Advisors B\$13,336 and Properties B\$293,917. Consolidated Other Income, Net Unrealized Gain / (Loss) on Investments, registered B\$872,910, contributed by Benchmark B\$710,245, Alliance B\$136,134 and Advisors B\$26,531. Net Realized and Unrealized Gain / (Loss) on Investments during the period was B\$1,016,473.

Real Estate

During the fiscal year, Benchmark Investment Board elected to shift the Company's investment portfolio by realizing cash from one of its long-term securities holdings to settle the remaining balance of the mortgage on its investment property with Bank of The Bahamas. With the expiration of the lease for its office in the Centre of Commerce, Ground Floor, One Bay Street, the management and board of directors of Alliance decided not to renew the lease and transfer the office to The Benchmark Group investment property on Carmichael Road. Rental income increased due to a full year lease at increased renewal terms. The remaining unoccupied office space on the property is 5,000 square feet. However, rental interest from potential tenants remains strong. We are confident that during 2017, the remaining office space should become fully leased. Additionally, on the 15 December, 2016, Properties commenced formal discussions to acquire 17,870 square feet or 0.41 acre of land, at the rear of its property, from Bahamas Faith Ministries International.

Broker Dealers

The launch of new investment products increased client trading activities generating higher fees and commissions. This translated into strong earnings growth for Alliance. The restructuring strategy also contributed to Alliance's strong earnings performance. Other Income, represented by Net Realized and Unrealized Gain/(Loss) on Investments totaled B\$308,345 for the year. During the period, Revenue grew by 173% while expenses increased by 88%. The increase in expenses was primarily due to the relocation and buildout of Alliance's new office.

CHAIRMAN'S REPORT *continued*



the relocation and buildout of Alliance's new office. We believe that the new investment product will continue to provide strong revenue growth through the increase in administrative fees and higher trading commissions. Advisors, had a modest contribution to this area of the Group earnings, however, we have established a new business strategy that will be executed during 2017. We believe the new business model will lead to Advisors making a much higher earnings contribution to The Group over the long term. The matter against one of our subsidiaries with the United States Securities And

Exchange Commission has been settled without admitting to or denying the allegations.

Investment Portfolio

Our investment portfolios produced positive returns during the year as Net Realized Gains and Net Movement In Unrealized Appreciation of Investments made significant contributions against 2015. We appreciate and accept that this area of our business is difficult to forecast. However, we are confident that the portfolios will continue to produce above market performance over the long term. Our Bahamian public invest-

CHAIRMAN'S REPORT *continued*

ment portfolio was the best performer during the period producing returns of 34% while our global portfolio was plus 14%.

Global economic conditions will continue to impact our investment strategies and performance. We will continue to use all tools available to us to stem any negative influences that could increase our securities investment portfolios risk. We expect more of the same from the global and domestic capital markets as policy makers implement strategies to further stimulate growth in Gross Domestic Product (GDP). Global inflation and interest rates seem finally set to rise during 2017, something that Central Banks have aggressively worked toward with their easy monetary policies to stimulate economic growth.

Domestically, it is expected that the opening of Baha Mar will provide the much needed stimulus to the local economy, coupled with continued foreign inward investments. These developments supported by the forecasted improving global economy during 2017 should generate improve tourist arrivals figures for The Bahamas. Control of the United States Of America Congress, Senate and Presidency by the Republican Party is expected to result in repealing of some USA financial regulations. To what extent that will influence the growth of the financial services industry in The Bahamas after the G20 relentless attack on this industry will need to be monitored closely. This sector of the Bahamian economy contributes approximately 15% of The Bahamas' GDP. Can the opening of Baha Mar and continued inward foreign investments fill the gap of a reseeding financial services industry is the question that will need to be answered before we can safely chart the way forward for the economy. All eyes will need to remain focus on these developments over the long term.

Conclusion

We are very optimistic about the future of Benchmark and believe that the next five years will be the strongest period of growth for the company since becoming publicly traded. All engines of the Group are tuned, fired up and running smoothly, we have overcome the challenges that face every startup business, small and medium-sized. Now that we have broken through the glass ceiling, our future growth path looks impressive. I believe our future growth potential is like a hockey stick with the bottom of the stick now turning into the long handle that the operator of the stick uses to control the puck.

Benchmark's consolidated net profit was contributed by; Alliance Investment Management Ltd. B\$2,221,867, Benchmark Advisors (Bahamas) Ltd. B\$13,336, Benchmark Properties (Bahamas) Ltd. B\$239,917 and Benchmark (Bahamas) Ltd. B\$621,245. For the fiscal year ending 31 December 2016, Benchmark (Bahamas) Ltd. consolidated net assets stood at B\$4,294,289.



JULIAN R. BROWN | Chairman | April 30, 2017



BENCHMARK BAHAMAS CONSOLIDATED FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
NET INCOME	\$(1,767,011)	\$(351,282)	\$(459,867)	\$307,415	\$2,079,892
NET COMPREHENSIVE INCOME	\$(267,849)	\$163,385	\$(786,038)	\$(296,341)	\$3,096,365
INCOME	\$1,041,593	\$1,231,422	\$1,197,757	\$1,659,079	\$3,812,936
EXPENSES	\$2,808,604	\$1,582,704	\$1,657,624	\$1,309,974	\$1,733,044
CURRENT ASSETS	\$13,335,844	\$12,125,390	\$11,677,766	\$8,022,900	\$9,864,013
INVESTMENTS IN SECURITIES	\$7,306,911	\$7,308,484	\$8,161,810	\$3,035,410	\$3,345,988
INVESTMENT PROPERTY	\$4,500,000	\$4,508,660	\$4,511,160	\$4,511,160	\$4,557,560
CURRENT LIABILITIES	\$14,307,181	\$14,005,687	\$14,280,889	\$11,006,896	\$10,337,213
NON-CURRENT LIABILITIES	\$1,553,861	\$481,899	\$431,175	\$348,112	\$ –
SHAREHOLDERS EQUITY	\$2,116,911	\$2,280,296	\$1,494,258	\$1,197,917	\$4,294,282
RETURN ON ASSETS	-2.01%	1.35%	-6.73%	-3.69%	31.39%
RETURN ON EQUITY	-12.65%	7.17%	-52.60%	-24.74%	72.10%
SHARE PRICE	\$0.18	\$0.18	\$0.12	\$0.12	\$0.12
EARNINGS PER SHARE	\$(0.05)	\$0.03	\$(0.16)	\$(0.06)	\$0.62
BOOK VALUE PER SHARE	\$0.43	\$0.46	\$0.30	\$0.24	\$0.87

BOARD *of* DIRECTORS



**JULIAN RENAUD
BROWN**
Chairman of the Board
and President



**GEORGE CLIFFORD
CULMER**
Director and Member
of the Investment
Advisory Board



**IDRIS GEORGE
REID**
Director



**RUTH BOWE-
DARVILLE**
Director



**RENEE SAUNDERS-
FORSYTHE**
Director



BRENT ROBERTS
Secretary and Chief
Financial Officer



BENCHMARK (BAHAMAS) LTD

2016 CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT



To the Shareholders of Benchmark (Bahamas) Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of **Benchmark (Bahamas) Ltd.**, which comprise the consolidated statement of financial position as at **December 31, 2016**, and the consolidated statements of comprehensive income/ (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Benchmark (Bahamas) Ltd.** as at **December 31, 2016** and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Commonwealth of The Bahamas, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which describes the net deficit position of a subsidiary at the end of the year and the guarantee provided by Benchmark (Bahamas) Ltd. to make funds available for the subsidiary to continue operating as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

The amount of revenue recognized during the year on commissions has significantly increased from prior years as a result of a new revenue stream that a subsidiary has entered into in the most recent years. This new revenue stream involved detailed accounting procedures. Based on our judgment, revenue recognition is significant to our audit as this new revenue stream forms a significant portion of the Company's total revenue.

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which we considered to be a significant risk included:

- Testing of controls, including among others, those over: manual input of individual trading fees and pricing, reconciliation of bank, brokers and client accounts, and conversion of transactions denominated in foreign currencies.
- Substantive testing of transactions, including validation of revenue recognized against related agreements with clients.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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.

INDEPENDENT AUDITORS' REPORT *continued*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.
- 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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PKF Bahamas is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.



William R. Wallace, Partner
PKF Bahamas
Nassau, Bahamas

April 25, 2017



BENCHMARK (BAHAMAS) LTD.

CONSOLIDATED STATEMENT of FINANCIAL POSITION

DECEMBER 31, 2016

(Expressed in Bahamian Dollars)

	Notes	2016	2015
PROPERTY, PLANT & EQUIPMENT	11	209,922	18,865
INVESTMENT PROPERTY	12	4,557,560	4,511,160
CURRENT ASSETS			
Cash and cash equivalents	6	4,092,992	2,025,736
Due from brokers	6	1,589,743	2,035,750
Customer advances	7	520,398	655,434
Other receivables and prepayments		314,892	270,570
INVESTMENTS IN SECURITIES	9	3,345,988	3,035,410
		9,864,013	8,022,900
CURRENT LIABILITIES			
Bank overdraft	13	99,270	185,041
Accounts payable and accrued expenses	10	1,024,112	321,024
Due to customers	7	9,033,831	10,236,128
Current portion of bank loan	13	–	84,703
LOAN FROM PARENT COMPANY	13	180,000	180,000
		10,337,213	11,006,896
NET CURRENT LIABILITIES		(473,200)	(2,983,996)
NON-CURRENT LIABILITIES			
Non-current portion of bank loan	13	–	348,112
		–	348,112
NET ASSETS		\$ 4,294,282	\$ 1,197,917
EQUITY (Page 14)		\$ 4,294,282	\$ 1,197,917

The consolidated financial statements were approved and authorized to be issued on April 25, 2017 by the Board of Directors, and signed on its behalf by:



Director



Director

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

BENCHMARK (BAHAMAS) LTD.

CONSOLIDATED STATEMENT *of* COMPREHENSIVE INCOME/(LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian Dollars)

	Notes	2016	2015
INCOME			
Interest		2,422	49,529
Commission		2,528,851	851,872
Portfolio management and advisory fees		812,968	328,224
Dividends		98,733	89,265
Rental income		369,962	340,189
		3,812,936	1,659,079
EXPENSES			
Salaries and benefits		767,026	317,873
Communication, insurance and allowances		28,741	42,308
Investment advisor fee	16	100,000	99,900
Bank charges and interest		68,428	220,888
Rent and occupancy		23,634	79,825
Property management fee		25,000	25,000
Property insurance		24,330	24,189
Professional fees		69,364	108,558
Depreciation	11	21,838	13,355
Directors' and officers' fees		41,998	49,560
Fuel costs		6,963	6,887
Cleaning, repairs and maintenance		68,693	60,324
Utilities		36,187	10,723
Corporate management fees	17	41,409	39,698
Printing and stationery		31,395	17,095
Bad debts provision	8	255,852	47,241
Public relations		40,998	23,176
Dividends paid on securities sold short		–	26,612
Registrar Commission license fees		15,588	16,497
Business licence fees		10,504	11,343
Real property tax		30,721	44,547
Securities Commission licence fees		19,000	19,000
Bahamas International Securities Exchange listing fees		5,375	5,375
		1,733,044	1,309,974
Net income		2,079,892	349,105
Other income/(losses):			
Net realized gain/(loss) on investments		132,571	(311,128)
Net unrealized gain/(loss) on investments		872,910	(292,628)
Net realized/unrealized foreign exchange gain/(loss)		1,430	(41,690)
Other income		9,562	–
Net realized and unrealized gain/(loss) on investments		1,016,473	(645,446)
Net comprehensive income/(loss)		\$ 3,096,365	\$ (296,341)
Net comprehensive income/(loss) per share	19	\$ 0.62	\$ (0.06)

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

BENCHMARK (BAHAMAS) LTD.

CONSOLIDATED STATEMENT *of* CHANGES IN EQUITY

DECEMBER 31, 2016

(Expressed in Bahamian Dollars)

	(Note 14) Ordinary Shares	(Note 14) Preference Shares	Contributed Surplus	Accumulated Deficit	Total
Balance at January 1, 2015	49,591	5,000,000	4,056,273	(7,611,606)	1,494,258
Net comprehensive loss (Page 13)	—	—	—	(296,341)	(296,341)
Balance at December 31, 2015	49,591	5,000,000	4,056,273	(7,907,947)	1,197,917
Net comprehensive income (Page 13)	—	—	—	3,096,365	3,096,365
Balance at December 31, 2016	\$49,591	\$5,000,000	\$4,056,273	\$(4,811,582)	\$4,294,282

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

BENCHMARK (BAHAMAS) LTD.

CONSOLIDATED STATEMENT *of* CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in Bahamian Dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net comprehensive income/(loss)		3,096,365	(296,341)
ADJUSTMENTS FOR:			
Net unrealized (gain)/loss on investments in securities		(872,910)	292,628
Net realized (gain)/loss on investments in securities		(132,571)	311,128
Bad debts provision	8	255,852	47,241
Depreciation	11	21,838	13,355
Net cash provided by operations before changes in operating assets and liabilities		2,368,574	368,011
(Increase)/decrease in customer advances		(1,359)	197,382
Increase in other receivables and prepayments		(163,779)	(16,870)
Increase in accounts payable and accrued expenses		703,088	33,718
Decrease in due to customers, net		(1,202,297)	(818,748)
Net cash provided by/ (used in) operating activities		1,704,227	(236,507)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of securities		(224,860)	(2,856,530)
Proceeds from sale of securities		919,763	4,814,824
Purchase of property, plant & equipment	11	(212,895)	(14,824)
Improvements to investment property	12	(46,400)	–
Net cash provided by investing activities		435,608	1,943,470
CASH FLOWS FROM FINANCING ACTIVITIES:			
Bank loan – repayments	13(b)	(432,815)	(78,033)
Net cash used in financing activities		(432,815)	(78,033)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,707,020	1,628,930
Cash and cash equivalents, beginning of year		3,876,445	2,247,515
Cash and cash equivalents, end of year		\$ 5,583,465	\$ 3,876,445
Cash and cash equivalents are comprised of:			
Cash and cash equivalents		4,092,992	2,025,736
Due from brokers		1,589,743	2,035,750
Bank overdraft		(99,270)	(185,041)
		\$ 5,583,465	\$ 3,876,445

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. ORGANIZATION

Benchmark (Bahamas) Ltd. (the Company) was incorporated under the laws of the Commonwealth of The Bahamas as a limited liability company on December 30, 1997 under the Companies Act 1992. The Company functions as a public investment company and is listed on The Bahamas International Securities Exchange ("BISX"). Its primary objective is to provide a competitive return to shareholders by emphasizing a diversity of domestic instruments for capital preservation, steady income flow and the opportunity for capital appreciation.

The Company is 47.1% owned (2015: 47.1%) by Braun & Cie Ltd., a Bahamian company incorporated primarily to hold its investment in the Company and to provide management and advisory services to the Company. The remainder of the shares are held by members of the public.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Benchmark Advisors (Bahamas) Ltd. (Advisors), Alliance Investment Management Ltd. (Alliance) and Benchmark Properties (Bahamas) Ltd. (Properties), collectively "The Group," which are incorporated under the laws of the Commonwealth of The Bahamas.

Advisors was incorporated on February 26, 2001 to provide investment advice, strategic management planning and capital market services.

Effective November 30, 2001, the Company acquired the entire net assets of Alliance, a company operating as a securities investment advisor, broker-dealer and consultant for non-resident companies and individuals conducting business within The Bahamas.

The financial statements of Alliance have been prepared on the basis that it will continue as a going concern. The statement of financial position shows net liabilities and deficit as at December 31, 2016, resulting in Alliance not being able to meet its regulatory capital requirements.

The Company has provided a guarantee to Alliance to make sufficient funds available to enable it to meet its present and future obligations for a period including, but not limited to 12 months from the date its financial statements were approved by the Board of Directors.

Properties was incorporated on July 30, 2006 to provide rental of office space. Construction of the first investment property was completed in 2010, and is yielding rental income.

The address of the registered office of the Group is Gresham House, Charlotte Street South, Nassau, Bahamas and its principal place of business is Suite 201, Carmichael Commercial Centre, Carmichael Road, Nassau, Bahamas.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The new and revised IFRSs prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions; otherwise, the adoption is accounted for as change in accounting policy under IAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors".

2.1 New and revised IFRSs with no material effect on the financial statements

The following new and revised standards have been adopted in the current year. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years, except when specifically disclosed, but may affect the accounting for future transactions or arrangements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.1 New and revised IFRSs with no material effect on the financial statements (continued)

1. IAS 1 Disclosure Initiative

The amendments give clarification in respect of determining what information to disclose in annual financial statements. It clarifies that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply.

2. IAS 16 and 38 Clarification of Acceptable Methods of Depreciation and Amortization

These clarify the basis for calculation of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset and clarifies that revenue is generally presumed to be an inappropriate basis for measuring consumption of economic benefits in such assets. Currently, the Company uses the straight-line method of depreciation for its property, plant and equipment.

2.2 New and revised IFRSs in issue but not yet effective

1. IFRS 9 Financial instruments (2014 version)

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement, was issued in July 2014.

The new IFRS requires all financial assets within the scope of IAS 39 to be stated at amortized cost or fair value where the intention is to hold such instruments to collect the contractual cash flows which are repayments of capital and interest. All other investments are stated at fair value at the end of each reporting period. Furthermore, where changes in the fair value of financial liabilities at fair value through profit or loss can be attributed to changes in credit risk, those changes are recognized in other comprehensive income/ (loss). The only exception would be when such treatment would give rise to, or enlarge an accounting mismatch in profit and loss.

The version issued in July 2014 mainly introduces a new expected loss impairment model requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. Financial liabilities are classified in a similar manner under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The standard is effective for years commencing on or after 1 January 2018.

2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model include (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contracts; and (5) recognise revenue when (or as) the entity satisfies a performance obligation. New disclosures about revenue are also introduced. The standard is effective for years commencing on or after 1 January 2018.

3. IFRS 16 Leases

IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for years commencing on or after 1 January 2019.

3. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements are prepared on a going concern basis and in accordance with applicable International Financial Reporting Standards (IFRS).

Notes to Consolidated Financial Statements (continued)

3. BASIS OF PREPARATION *(continued)*

(b) **Basis of preparation**

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured either at fair value or amortized cost, and investment property measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of consideration given in exchange for assets.

(c) **Functional and presentation currency**

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

(d) **Use of estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the year. Actual results can differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements are disclosed in Note 5.

(e) **Principles of consolidation**

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

On consolidation, intragroup balances and intragroup transactions are eliminated in full.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Revenue**

Revenue comprises management fees and commissions on services to external clients. Consideration received from clients is only recognized as revenue to the extent that the Company has performed its contractual obligations in respect of that consideration.

Interest is recognised in the period in which interest is earned. The amount of revenue is measured using the effective interest rate method.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Dividends are recorded on the ex-dividend date.

(b) **Expense**

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company. The Company recognizes expenses in the consolidated statement of comprehensive income/(loss) when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses are accounted for on the accrual basis.

(c) **Foreign currency transactions**

Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are translated into Bahamian dollars at the rate of exchange in effect at the date of the consolidated statement of financial position. Income and expenses transacted in currencies other than Bahamian dollars are translated into Bahamian dollars at the rates of exchange prevailing at the transaction dates.

Unrealized foreign exchange differences arising on translation of assets and liabilities, and realized foreign exchange differences on income and expenses transacted in foreign currencies are both recognized in the consolidated statement of comprehensive income/(loss).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Property, plant & equipment**

Property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized in the consolidated statement of comprehensive income/ (loss) on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment.

The estimated useful lives of the assets are as follows:

Leasehold improvements	5 years
Furniture, fixtures & equipment	3–5 years
Vehicles	5 years

(e) Investment property

This is comprised of land and buildings held for appreciation or rental. The Company has elected to use the fair value model for subsequent measurement. Appreciation or decrease arising from changes in the fair value of investment property is included in the consolidated statement of comprehensive income/ (loss) for the period in which it arises.

(f) Impairment of assets

The carrying amounts of the Company's assets are reviewed at the date of each consolidated statement of financial position to determine if there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive income/ (loss). 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, had no impairment loss been recognized in prior years.

Provision for impairment losses is maintained at a level believed to be adequate by management to absorb potential losses.

(g) Net comprehensive income/ (loss) per share

Net comprehensive income/ (loss) per share is calculated by dividing the net comprehensive income/ (loss) by the weighted average number of shares outstanding.

(h) Financial instruments**Classification**

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Recognition

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. When initially recognized, all financial assets, are further grouped as investments at fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables, while financial liabilities are classified as either at FVTPL or other financial liabilities.

Financial assets at FVTPL include investments in securities. Loans and receivables include due from brokers, customer advances and other receivables. Other liabilities include bank overdraft, due to customers, loans, accounts payable and accrued expenses.

Measurement

Initial measurement is at fair value (which is usually the cost) plus transaction costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at FVTPL, which are initially measured at fair value, excluding transaction costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Financial instruments *(continued)*

Measurement *(continued)*

Subsequent to initial recognition, loans and receivables are measured at amortized cost, with assessment for impairment. Investments at FVTPL is measured at fair value. AFS is measured at fair value with changes shown directly in equity. Based on the classification, financial liabilities at FVTPL are measured at fair value and other liabilities at amortized cost. (See Note 24)

For those financial assets carried at fair value, they are ranked into levels 1 to 3, based on the extent to which the fair values are observable (See Note 24).

Derecognition

Financial instruments are derecognized on the trade date when the Company is no longer a party to the contractual provisions of the instrument.

Financial assets are:

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include balances which are available for withdrawal on demand.

Investments

Investments are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss subsequently. Investments in equity securities are valued, for listed securities, at the quoted market prices at the end of each year as provided by the relevant stock exchange.

Short selling is the sale of a security that is not owned by the Company, or that the Company has borrowed. Short selling is motivated by the belief that a security's price will decline, enabling it to be bought back at a lower price to make a profit. Short selling may be prompted by speculation, or by the desire to hedge the downside risk of a long position.

The short sold securities are marked to market at year-end to recognize the fair value of the obligation. The dividend and interest expense related to short securities are charged to profit or loss in the period in which dividends are paid or interest is incurred.

Due from brokers

Due from brokers are stated at amortized cost net of allowance for any doubtful accounts. These balances are available for withdrawal on demand.

Customer advances

Customer advances are carried at the principal amount less any provision for impairment and doubtful debts. A provision for doubtful debts is made when collection of the full amount is considered no longer probable and the estimated value of the underlying collateral is insufficient to cover advances made to the customer. Amounts deemed to be irrecoverable are written off.

Other receivables

Other receivables are stated at amortized cost net of any allowance for doubtful accounts.

Financial liabilities

Financial liabilities are any liabilities that are contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or a contract that will or may be settled in the Company's own equity instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are initially recognized and subsequently measured at fair value with any gains or losses recognized in the consolidated statement of comprehensive income/(loss).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Financial instruments** (continued)**Financial liabilities are:****Bank overdraft**

This is treated and accounted for similar to cash and cash equivalents.

Accounts payable and accrued expenses

Accounts payable and accrued expenses are stated at amortized cost. They are recognized on the trade date of the related transactions. It includes administration/management fee income deferred by the Company over the term of services being administered on behalf of its clients.

Due to customers

This represents funds received from customers, and are carried at amortized cost.

The Company's subsidiary (Alliance) has a legally enforceable right of off-set pertaining to all balances relating to a single customer.

Bank loan and loan from Parent Company

These loans are stated at amortized cost.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Certain amounts included in or affecting the Company's consolidated financial statements and related disclosures must be estimated, requiring management to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the Company's consolidated financial position and results, and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgments are also made in disclosing any contingent assets and liabilities that exist at the date of the consolidated statement of financial position.

The following are the critical judgments and estimates that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements.

- (a) Provision for bad debts (Note 8)
- (b) Impairment of assets
- (c) Fair valuation of investment property (Note 12)
- (d) Contingencies (Note 20)

6. CASH AT BANK AND DUE FROM BROKERS

Cash at bank comprise current accounts bearing interest at rates ranging from Nil to 0.5% (2015: Nil to 0.5%) per annum.

A subsidiary of the Company had margin account facilities in the prior year with certain brokers which bore interest at rates ranging from Nil to 7.75% per annum, which were collateralized by securities owned by both a subsidiary and some of its customers. There were no balances in the subsidiary's margin accounts in the current year.

7. CUSTOMER ADVANCES AND DUE TO CUSTOMERS

At the date of the consolidated statement of financial position, customer advances are shown net of a provision for doubtful debts amounting to \$9,792,146 (2015: \$9,792,146). Advances made to and from customers include amounts due on/excess funds held relating to cash and margin transactions. Advances to customers based on margins are collateralized using securities owned by customers. Such collateral and securities are not reflected in the consolidated statement of financial position, as explained in Note 15.

Of the total amount due to customers, \$785,180 (2015: \$785,180) relates to funds received on behalf of customers, who are not identified or have not claimed the deposits as at the end of the period.

Notes to Consolidated Financial Statements (continued)

7. CUSTOMER ADVANCES AND DUE TO CUSTOMERS (continued)

During 2012, voluntary liquidation proceedings supervised by the court were initiated by a significant client of a subsidiary, which were in progress at year-end. According to management and their legal counsel, there are no contingencies for which the subsidiary is liable. At year-end, customer advances and due to customers have been reported net of the amounts relating to the client under liquidation.

8. PROVISION FOR DOUBTFUL DEBTS

The movement in the provision for doubtful debts is as follows:

	2016	2015
Balance, January 1	9,952,024	9,904,783
Provision	255,852	47,241
Write-offs	(136,395)	–
Balance, December 31	\$ 10,071,481	\$ 9,952,024
Representing:		
Provision for customer advances (Note 7)	9,792,146	9,792,146
Provision for other receivables	279,335	159,878
Balance, December 31	\$ 10,071,481	\$ 9,952,024

9. INVESTMENTS IN SECURITIES

Investments in securities comprise publicly traded equities and other investments in the following industries.

Industry	2016		2015	
	Cost	Market Value	Cost	Market Value
Biotechnology	1,899	30	94,486	1,361
Financial services	824,057	2,787,040	1,361,047	2,523,670
Utilities	78,606	33,750	78,606	31,050
Industrial	930,157	175,352	837,093	233,770
Entertainment	139,661	17,584	139,661	17,584
Insurance	215,755	2,047	215,755	1,474
Wholesale and retail	78,958	73,778	78,958	47,247
Other	227,794	256,355	487,139	155,042
Technology	11,580	52	42,831	24,212
	\$ 2,508,467	\$ 3,345,988	\$ 3,335,576	\$ 3,035,410

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account is composed of the following:

	2016	2015
Deferred portfolio management and advisory fees	376,318	–
Legal expense payable	322,832	–
Accounts payable and accruals	324,962	321,024
	\$ 1,024,112	\$ 321,024

11. PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment comprise the following:

	Office & Leasehold Improvements	Furniture, Fixtures & Equipment	Vehicles	Total
COST				
At January 1, 2016	133,656	299,445	–	433,101
Derecognition	(133,656)	–	–	(133,656)
Additions	169,714	29,493	13,688	212,895
At December 31, 2016	169,714	328,938	13,688	512,340
ACCUMULATED DEPRECIATION				
At January 1, 2016	133,656	280,580	–	414,236
Derecognition	(133,656)	–	–	(133,656)
Charge for the year	5,657	14,660	1,521	21,838
At December 31, 2016	5,657	295,240	1,521	302,418
NET BOOK VALUE				
At December 31, 2016	\$ 164,057	\$ 33,698	\$ 12,167	\$ 209,922
NET BOOK VALUE				
At December 31, 2015	\$ –	\$ 18,865	\$ –	\$ 18,865

12. INVESTMENT PROPERTY

This is comprised of the following:

	Land	Building	Parking	Total
At January 1, 2016	1,065,000	3,323,630	122,530	4,511,160
Improvements	–	–	46,400	46,400
Balance at December 31, 2016	\$ 1,065,000	\$ 3,323,630	\$ 168,930	\$ 4,557,560

On December 6, 2012 an independent appraisal of fair value was carried out resulting in an appreciation of \$559,987. The fair value of investment property is determined by an independent professionally qualified appraiser. In determining the valuation, the appraiser used both the cost and income approaches.

Fair Value Hierarchy

The fair valuation of investment property is considered to represent a Level 3 valuation based on significant non-observable inputs being the cost and income potential of similar properties.

There were no transfers between Levels 1, 2 or 3 fair values during the year.

13. LOANS, OVERDRAFT FACILITY AND DUE TO BROKERS**(a) Bank overdraft – Commonwealth Bank**

Effective May 12, 2011, a subsidiary of the Company entered into an overdraft facility agreement with Commonwealth Bank of \$250,000, the utilized portion of which bears interest at the annual rate of 8.25% (2015: 8.25%). At year end, the subsidiary had pledged equity securities with a market value of \$1,000,956 (2015: \$470,563) as collateral.

Notes to Consolidated Financial Statements (continued)

13. LOANS, OVERDRAFT FACILITY AND DUE TO BROKERS (continued)

(b) Bank loan – Bank of The Bahamas

During 2009, the Company received a loan in the amount of \$1,700,000 (inclusive of arrangement fees) from Bank of the Bahamas Ltd. to finance the investment property. This loan, which bore interest at the rate of B\$ prime plus 3.5%, was being repaid by monthly installments of \$21,546 (principal and interest). During 2012, the Company made an accelerated principal payment of \$800,000 that changed subsequent monthly installments. As security, the Company's wholly owned subsidiary, Benchmark Properties (Bahamas) Ltd., has provided a guarantee, together with a first demand legal mortgage over its investment property and buildings, which is financed by the same loan. In addition, insurance and rent of the aforementioned buildings have also been assigned to the bank.

During the current year, the Company repaid the entire outstanding principal and interest amount, using the proceeds received from the sale of its investments in securities.

	2016	2015
Balance, January 1	432,815	510,848
Repayments	(432,815)	(78,033)
Balance, December 31	\$ –	\$ 432,815

(c) Due to brokers

A subsidiary had margin account facilities with certain brokers which bore interest at rates ranging from Nil to 7.75% (2015: Nil to 7.75%) per annum, which were collateralized by securities owned by both Alliance and certain customers. The balance in the subsidiary's margin accounts were liquidated in 2015.

(d) Loan from Parent Company

During 2013, the Company received a loan in the amount of \$180,000 from its Parent Company (Braun & Cie Ltd.) to repay and terminate the overdraft facility with First Caribbean International Bank. This loan bears interest at the rate of 4% per annum and is repayable on demand. At year-end, the loan remains unpaid and the Company had pledged equity securities with a market value of \$525,000 (2015: \$392,000) as security.

14. SHARE CAPITAL

(a) Ordinary shares

At December 31, 2016 and 2015, the authorized share capital of the Company was \$100,000 divided into 10,000,000 ordinary shares each with a par value of \$0.01 of which 4,959,111 shares were issued, outstanding and fully paid.

(b) Preference shares

At December 31, 2016, there were \$5,000,000 (2015: \$5,000,000) non-voting preference shares issued and outstanding. These shares were issued in two tranches; \$2,000,000 in 2010 and \$3,000,000 in 2011. These shares were issued in lieu of funds due to a customer on whom liquidation proceedings have subsequently commenced. All these shares are redeemable at the discretion of the issuer. Dividend payout on all these shares is also at the discretion of the issuer. Consequently, all these shares are recognized as equity.

15. ASSETS UNDER ADMINISTRATION

The assets and liabilities of clients under administration in a custodial or nominee capacity are not reflected in these financial statements, except for those assets and liabilities that relate to the brokerage services provided by a subsidiary. At December 31, 2016, assets under administration totaled approximately \$11.02 million (2015: \$12.4 million).

16. INVESTMENT ADVISOR FEE

Effective January 1, 2000, Braun & Cie Ltd. was appointed Investment Manager by the Company and is paid a fee of \$100,000 (2015: \$99,900) payable in monthly installments beginning January 1, 2001.

Mr. Julian Renaud Brown, a director, is President and Chairman of the Company and is also President of Braun & Cie Ltd.

17. CORPORATE MANAGEMENT FEES

Under an agreement dated January 1, 2001, Mann Judd Corporate Services Ltd., the Corporate Manager of the Company, is paid a fee of \$21,500 (2015: \$21,500) by the Company. In addition, fees of \$1,935 (2015: \$1,823), \$5,972 (2015: \$3,000) and \$12,002 (2015: \$13,375) were paid to Mann Judd Corporate Services Ltd., by Advisors, Alliance & Properties, respectively. A Director of Mann Judd Corporate Services Ltd., is also a Director of the Company and Alliance.

18. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel compensation included in salaries and benefits for the year ended December 31, 2016 amounted to \$591,573 (2015: \$230,322).

19. NET COMPREHENSIVE INCOME/(LOSS) PER SHARE

The calculation of net comprehensive income/ (loss) per share is based on the consolidated net comprehensive income/ (loss) of \$3,096,365 (2015: (\$296,341)) and on the weighted average number of ordinary shares outstanding during the year of 4,959,111 (2015: 4,959,111).

20. CONTINGENT LIABILITIES AND COMMITMENTS**(a) The Securities Commission of The Bahamas**

During 2012, concerns over adequacy of a subsidiary's regulatory capital were raised by the regulator, which is still being reviewed (See Note 22). The Directors of such subsidiary have been responsive in providing the requirements communicated by the regulator to adhere to the Securities Industry Regulations, 2012.

In 2012, the regulator has also raised concerns as to the above-mentioned subsidiary's ability to continue operating as a going concern. Following the regulator's request, the Directors of the Company, as parent entity of the subsidiary, have replaced the letter of comfort with a letter of guarantee.

(b) Liquidation of a significant client

During 2012, a subsidiary of the Company, as disclosed in Note 7, has a client on whom voluntary liquidation proceedings were initiated. Further, this client also holds \$5,000,000 irredeemable preference shares as disclosed in Note 14 (b).

Although the ultimate outcome of the above mentioned matters cannot be ascertained at this time, it is the opinion of management, after consultation with legal counsel, that the resolution of matters will not have a materially adverse effect on the financial position of the subsidiary.

(c) The United States Securities and Exchange Commission

The United States Securities and Exchange Commission ("SEC") commenced litigation on or about August 8, 2014. The SEC alleged that a subsidiary of the Group and its President purported to be the "custodian" for assets under the management of Nikolai Battoo ("Battoo"). The SEC indicated that the subsidiary and President misrepresented themselves to investors as Battoo's custodian when, since at least 2009, the Company did not have custody of most of the assets listed on investor account statements. The SEC further alleged that the subsidiary and its President permitted Battoo to misappropriate at least \$45 million of investor funds.

The SEC alleges that the subsidiary and its President, violated certain sections of the securities laws and sought injunctive relief including injunctions against future violations of various sections of the federal securities laws and its rules and regulations thereunder including, but not limited to, the anti-fraud sections of the Securities Act of 1933, the Securities Exchange Act of 1934 and the Investment Adviser's Act.

Notes to Consolidated Financial Statements (continued)

20. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

(c) The United States Securities and Exchange Commission (continued)

On March 30, 2015, after the Court denied the defendants' motion to dismiss the Complaint on jurisdictional grounds and for failure to state a cause of action, the defendants, filed an Answer with Affirmative Defenses denying the allegations in the Complaint and seeking dismissal of the lawsuit.

This matter was settled on October 7, 2016, where defendants consented to the entry of a Final Judgment, without admitting or denying the substantive allegations of the complaint. A total sum of \$337,832 was payable by the subsidiary, of which, \$15,000 had been paid at year-end and further \$85,000 paid on the date that these financial statements were approved by the Directors, which was in accordance with the payment schedule stipulated by the Court. The subsidiary had identified and allocated certain funds since commencement of the litigation, which is being used to settle legal expenses.

21. RELATED PARTY BALANCES AND TRANSACTIONS

At December 31, 2016 and 2015, related party balances, with no stated terms of repayment, and related party transactions comprise:

	2016	2015
	\$	\$
Directors' and officers' fees	41,998	49,560
Corporate management fee	41,409	39,698
Investment advisor fee	100,000	99,900
Key management compensation	591,573	230,322
Loan from Parent Company	180,000	180,000
Property Management Fees Paid	25,000	25,000

22. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

To safeguard the entities' ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

To provide an adequate return to shareholders by selecting investments that provide an acceptable return commensurately with the level of risk.

The Company manages its capital structure and makes adjustments to it in light of economic changes to mitigate market risk. In order to manage the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or liquidate assets to reduce debt.

A subsidiary of the Company is subject to externally imposed capital requirements. The Securities Industry Regulations, 2000 requires that a Class 1 broker-dealer shall maintain at least \$300,000 of regulatory capital, which consists of cash and cash equivalents, money market funds, government securities and listed securities. The subsidiary did not meet the required capital, for which a guarantee was provided by the Company. No penalties have been imposed by the Commission at year-end.

23. OPERATING LEASE COMMITMENTS

As Lessee

A subsidiary of the Company had entered into a commercial lease agreement for office space with British Colonial Development Company Limited with average lease term of 5 years. The lease agreement expired during the year. This subsidiary is now leasing office space in the investment property owned by another subsidiary.

As Lessor

A subsidiary of the Company leases its investment property to various third parties under operating lease agreements. The average lease term is 5 years, with fixed annual rate for the period of the lease.

23. OPERATING LEASE COMMITMENTS (continued)

Future minimum lease receipts under non-cancellable operating leases are as follows:

	2016	2015
Within one year	346,405	346,405
Later than 1 year and no later than 5 years	824,199	1,170,604
	<u>\$1,170,604</u>	<u>\$ 1,517,009</u>

24. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Management is of the opinion that the fair value of the financial assets and financial liabilities of the Company approximate their carrying values as reported in these consolidated financial statements.

The following table analyzes the carrying amounts of financial assets and liabilities as defined in Note 4 (h):

	Loans and receivables (amortized cost)	Fair value through profit or loss	Held-to-maturity (amortized cost)	Available for sale investments	Total
2016					
Financial Assets					
Cash and cash equivalents	4,092,992	–	–	–	4,092,992
Due from brokers	1,589,743	–	–	–	1,589,743
Customer advances	520,398	–	–	–	520,398
Investments in securities	–	3,345,988	–	–	3,345,988
Other receivables	274,992	–	–	–	274,992
	<u>\$ 6,478,125</u>	<u>\$ 3,345,988</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 9,824,113</u>
			Fair value through profit or loss	Other financial liabilities	Total
Financial Liabilities					
Bank overdraft			–	99,270	99,270
Accounts payable & accrued expenses			–	1,024,112	1,024,112
Due to customers			–	9,033,831	9,033,831
Loan from Parent Company			–	180,000	180,000
			<u>\$ –</u>	<u>\$10,337,213</u>	<u>\$ 10,337,213</u>

Notes to Consolidated Financial Statements (continued)

24. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

	Loans and receivables (amortized cost)	Fair value through profit or loss	Held-to-maturity (amortized cost)	Available for sale investments	Total
2015					
Financial Assets					
Cash and cash equivalents	2,025,736	–	–	–	2,025,736
Due from brokers	2,035,750	–	–	–	2,035,750
Customer advances	655,434	–	–	–	655,434
Investments in securities	–	3,035,410	–	–	3,035,410
Other receivables	241,480	–	–	–	241,480
	\$ 4,958,400	\$ 3,035,410	\$ –	\$ –	\$ 7,993,810
		Fair value through profit or loss		Other financial liabilities	Total
Financial Liabilities					
Bank overdraft		–		185,041	185,041
Accounts payable & accrued expenses		–		321,024	321,024
Due to customers		–		10,236,128	10,236,128
Current portion of bank loan		–		84,703	84,703
Loan from Parent Company		–		180,000	180,000
Non-current portion of bank loan		–		348,112	348,112
		\$ –		\$11,355,008	\$ 11,355,008

Fair value of financial instruments

The Directors consider that the carrying amounts of all of the financial assets and liabilities of the Company approximate their fair values due to the following reasons:

- (i) Investments in securities are carried at fair value at each reporting period.
- (ii) Due from brokers, customer advances, other receivables excluding prepayments, due to customers, and accounts payable and accrued expenses approximate their fair values due to the short-term maturities of these instruments with no expected significant change in value over the short period of time.

24. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)**Fair value hierarchy and measurements**

The following table categorizes into three levels the inputs used to measure fair value of financial instruments:

Financial assets and liabilities that are measured at fair value on a recurring basis

Fair value measurements as at 31 December 2016				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Investments in securities	3,345,988	–	–	3,345,988

Fair value measurements as at 31 December 2015				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Investments in securities	3,035,410	–	–	3,035,410

Level 1

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date.

Level 2

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. The fair value of the financial instruments within this category have been estimated using the present value method.

Level 3

The fair value of financial instruments is determined by inputs that are not based on observable market data.

There were no transfers between level 1 and 2 during the year.

Financial assets and liabilities that are not measured at fair value on a recurring basis

Fair value measurements as at 31 December 2016				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash at bank	4,092,992	–	–	4,092,992
Due from brokers	1,589,743	–	–	1,589,743
Customer advances	–	520,398	–	520,398
Other receivables	–	274,992	–	274,992
FINANCIAL LIABILITIES				
Bank overdraft	99,270	–	–	99,270
Accounts payable and accrued expenses	–	1,024,112	–	1,024,112
Due to customers	–	9,033,831	–	9,033,831
Loan from Parent Company	–	180,000	–	180,000

Notes to Consolidated Financial Statements (continued)

24. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

Fair value hierarchy and measurements (continued)

	Fair value measurements as at 31 December 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
FINANCIAL ASSETS				
Cash at bank	2,025,736	–	–	2,025,736
Due from brokers	2,035,750	–	–	2,035,750
Customer advances	–	655,434	–	655,434
Other receivables	–	241,480	–	241,480
FINANCIAL LIABILITIES				
Bank overdraft	185,041	–	–	185,041
Accounts payable and accrued expenses	–	321,024	–	321,024
Due to customers	–	10,236,128	–	10,236,128
Bank loan	–	432,815	–	432,815
Loan from Parent Company	–	180,000	–	180,000

25. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises primarily from the Company's cash in bank, customer advances, due from brokers and other receivables.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of market and liquidity risk of the securities held as collateral for the receivables.

The Company has established an allowance for impairment that represents its estimate of incurred losses in respect of customer advances and other receivables. Recoverability of each of these assets is assessed individually, and specific provision is made as required.

The table below classifies various financial assets in ascending order of exposure to credit risk:

	2016	2015
(a) Banks with credit-rating of B and above	4,092,992	2,025,736
(b) Stockbrokers	1,589,743	2,035,750
(c) Other receivables	274,992	241,480
(d) Due from customers	520,398	655,434
	\$ 6,478,125	\$ 4,958,400

25. FINANCIAL RISK MANAGEMENT (continued)**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The Company's approach to managing liquidity is to ensure that, as far as possible, it will schedule the maturity of its financial assets to coincide with the maturity of its financial liabilities.

The risk is also mitigated by management's ability to negotiate to reschedule the maturity of financial assets and financial liabilities, and borrow temporary funds from its bankers to bridge any shortfall.

The Company maintains sufficient cash and marketable securities. Management reviews cashflow forecasts on a regular basis to determine whether the Company has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. The Company has further unused overdraft facilities of \$150,730 (2015: \$64,959) which can be used as an additional means of easing liquidity risk if considered necessary. The Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Management is of the opinion that disclosure of maturity profile of financial assets is not required.

	0 to 3 months \$	3 Months to 1 year \$	Over 1 year \$	Total \$
2016				
Financial Liabilities				
Bank overdraft	99,270	–	–	99,270
Accounts payable & accrued expenses	1,024,112	–	–	1,024,112
Due to customers	2,203,002	1,670,365	5,160,464	9,033,831
Loan from Parent Company	–	180,000	–	180,000
	\$ 3,326,384	\$ 1,850,365	\$ 5,160,464	\$10,337,213
2015				
Financial Liabilities				
Bank overdraft	185,041	–	–	185,041
Accounts payable & accrued expenses	321,024	–	–	321,024
Due to customers	2,410,071	1,827,370	5,998,687	10,236,128
Current portion of bank loan	20,527	64,176	–	84,703
Loan from Parent Company	–	180,000	–	180,000
Non-current portion bank loan	–	–	348,112	348,112
	\$ 2,936,663	\$ 2,071,546	\$ 6,346,799	\$ 11,355,008

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of the Company's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is exposed to currency risk and interest rate risk.

(a) Currency risk

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Most of the Company's foreign currency transactions, assets and liabilities are denominated in US Dollars. The Company hedges currency risk by dealing in hard currencies and whenever possible, in US Dollars, which is at par with the Bahamian Dollar, and also by maintaining a spread to cover adverse fluctuations.

Notes to Consolidated Financial Statements (continued)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

(b) Interest rate risk

The Company is exposed to interest rate risk on margin facilities obtained from brokers. The risk associated with fluctuation in interest rates is factored into the underlying transactions for which the margin financing is used.

In 2015, the Company's subsidiary liquidated its margin and short positions, which will mitigate the interest rate risk in the future.

26. SUBSEQUENT EVENTS

During November 2016, a subsidiary of the Company leased a tract of vacant land adjacent to the northern boundary of its investment property, with the intention of purchasing it in the amount of \$411,010.

During February 2017, subsequent to year-end, the agreement for purchase has been executed between the subsidiary and the vendor with completion date of within 90 days.

Lease payments made up to the date of purchase would be deducted from the purchase price mentioned above.

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