# 2014 Annual Report

*And we persevere...*

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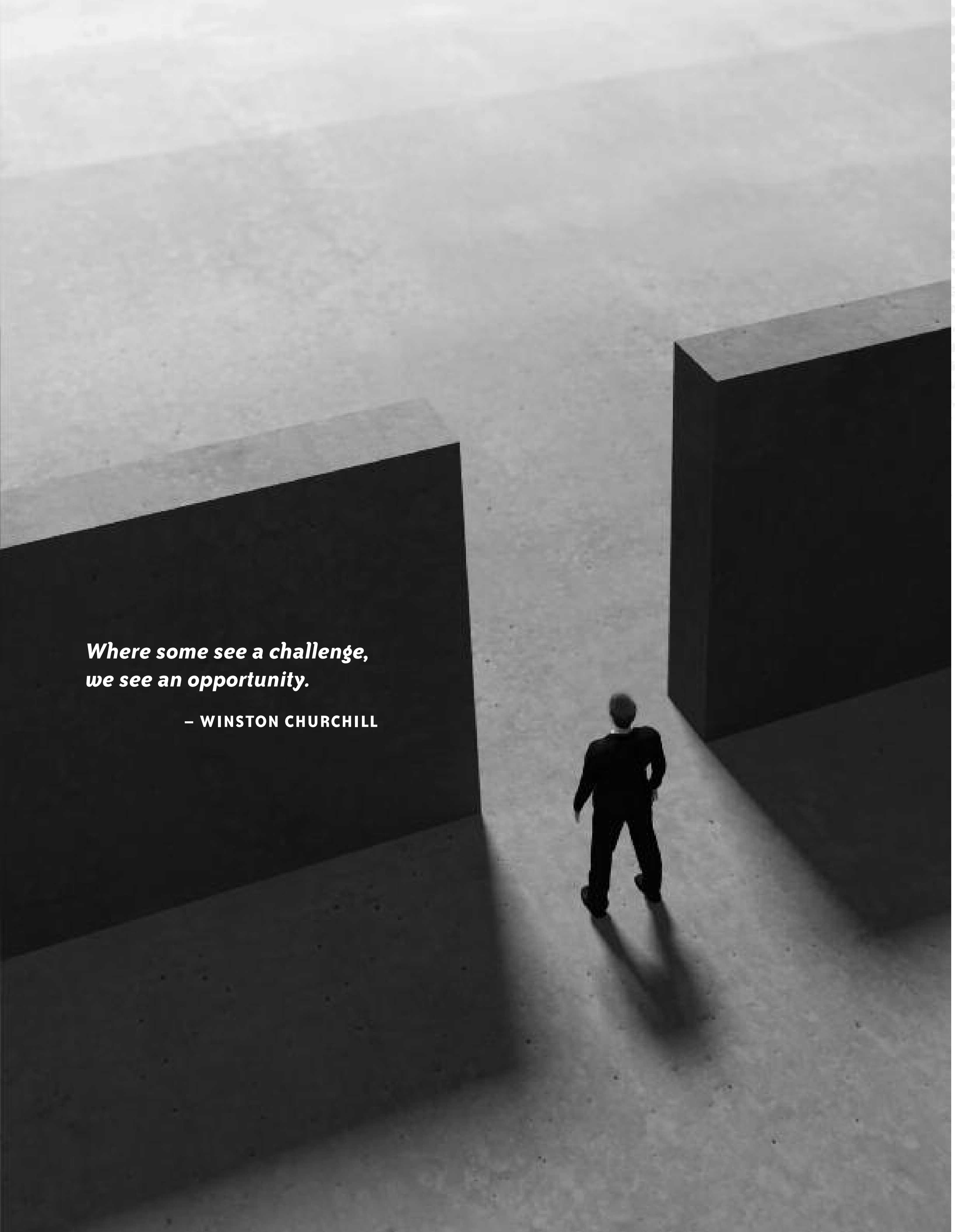



# Chairman's Report

Benchmark's financial results for the year ending 2014 proved to be a disappointment as they have reversed the positive direction that the company established at year-end 2013. The turnaround in the performance of our foreign investment portfolio during the fourth quarter of 2014 was the primary reason why Benchmark reported a loss of B$(786,038) for the fiscal year ending 31 December 2014. The net unrealized (loss) / gain on investment securities and exchange represented a loss of B$(326,171) when compared to 2013 which was a gain of B$514,667. We continue to shift the portfolio's investment strategy in order to mitigate some of the volatility the portfolio experiences that will reduce the overall impact to the consolidated results of the Benchmark Group of companies. The investment strategy of our foreign investment portfolio at year-end was sensitive to shifts in US interest rates with a basis toward and upward direction. The downward shift in US long-term yields at the end of 2014 resulted in our investment portfolio giving up all of the gains achieved during the earlier quarters of the year.

Notwithstanding the consolidated results for 2014, we remain encouraged about the long-term direction for the company and believe that 2015 earnings should reverse the negative earnings results for 2014. During 2015, we will begin negotiating the renewals of all long-term leases for tenants in our Carmichael Road Commercial Centre. The renewal of these leases for the property, coupled with our anticipated full occupancy of the complex during 2015 will positively impact the company's operating cash flow. We will also undertake to complete a revaluation of the investment property as we have not done one in three years. Against this background, together with our view that our investment portfolio will reverse its negative performance during 2015 versus 2014, allows us to remain optimistic.

During 2014, Investment Income from Commissions continued to be a stellar performer with significant growth over 2013. Investment Income from Commissions for the year ending 2014 was B$485,381 against B$380,488. This increase was due to continued improvement in new business and improved customer trading activity in Alliance Investment Management Ltd. We believe the level of new business and trading activity in Alliance will continue in 2015.

Operationally, Benchmark reported consolidated net operating loss of B$(459,867) for 2014 compared to B$(351,282) for 2013. Benchmark's consolidated net loss was B$(786,038) contributed by; Alliance Investment Management Ltd. B$(712,678), Benchmark Advisors (Bahamas) Ltd. B$(127,190), Benchmark Properties (Bahamas) Ltd. B$60,046 and Benchmark (Bahamas) Ltd. B$(6,216). For the fiscal year ending 31 December 2014, Benchmark (Bahamas) Ltd. consolidated net assets stood at B$1,494,258.

Julian R. Brown
Chairman
April 30, 2015

> ***Making your mark on the world is hard. If it were easy, everybody would do it. But it's not. It takes patience, it takes commitment, and it comes with plenty of failure along the way. The real test is not whether you avoid this failure, because you won't. It's whether you let it harden or shame you into inaction, or whether you learn from it; whether you choose to persevere.***
>
> **~ BARACK OBAMA**

# A Tribute to the Chairman: Reno Jean Brown

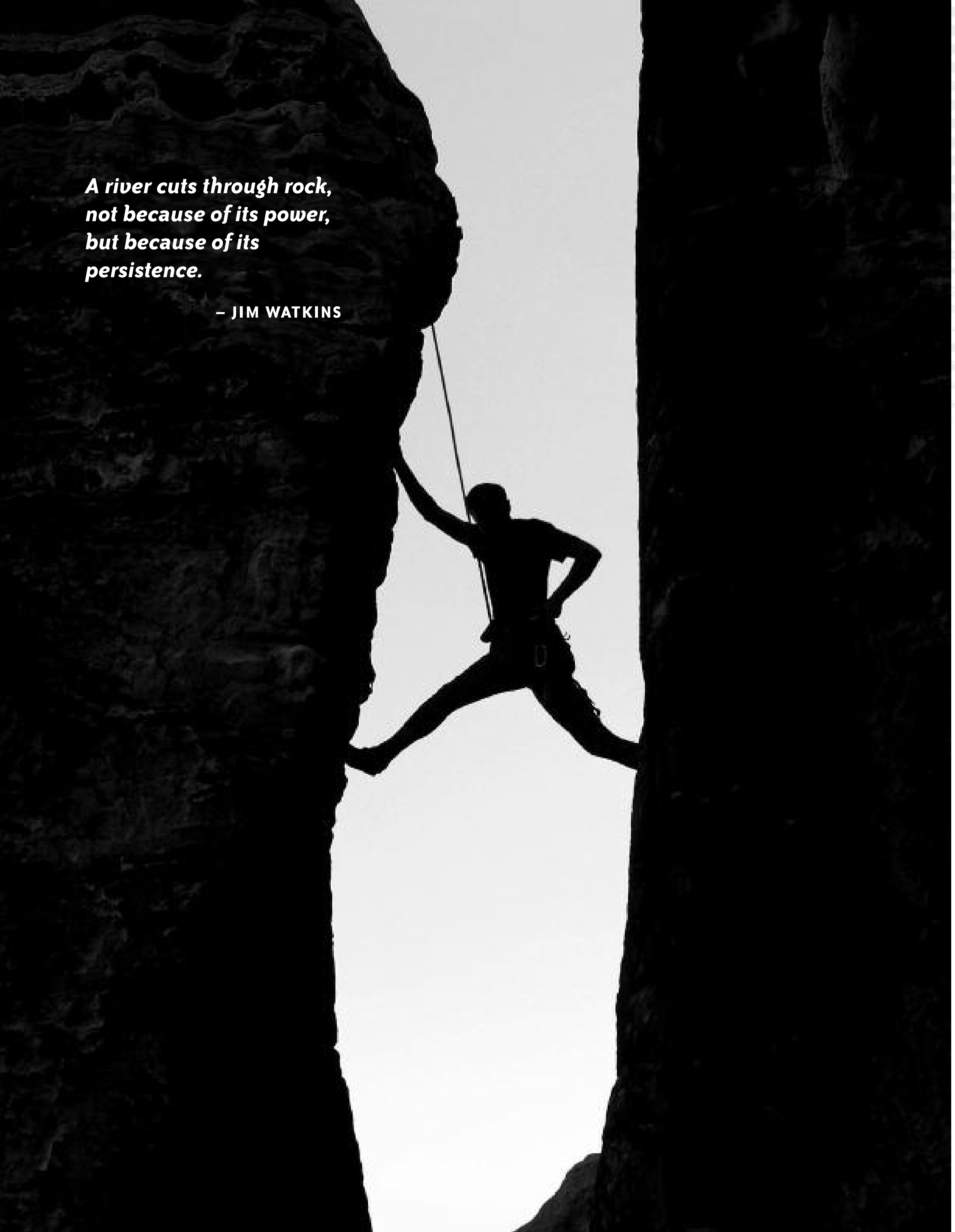
Benchmark (Bahamas) Ltd., a small Bahamian start-up investment company, was the vision of **Reno Jean Brown** from as early as the 1970s.

He believed that 'Empowerment through Ownership' was one of the keys to success and Benchmark, in his mind, represented an opportunity for him to share that vision with the Bahamian public. He was a very private and humble individual who stayed away from spotlights—except when he wanted to prove his point.

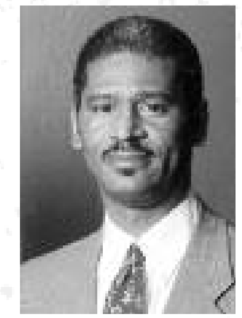
Reno recognized the difficulties of pioneering such a novel idea in The Bahamas, but he took the challenge head-on and gave it his personal attention. He came out of retirement and offered to lead the charge – becoming Chairman of the Company and acting in this capacity for ten years.

The Board of Directors still believe in Reno's vision and are very much committed to ensuring that through ownership, the shareholders of Benchmark would embody his vision of empowerment.

A favourite quote of his when he led as Chairman was, "If it were easy, everyone would be doing it". We understand this to be true and so the challenges will not deter us from remaining focused as we persevere towards fulfilling Reno's vision for this Company.




# Board of Directors & Officers



**Julian Renaud Brown**
Chairman of the Board and President

**George Clifford Culmer**
Director and Member of the Investment Advisory Board

**Idris George Reid**
Director

**Brent Roberts**
Secretary and Chief Financial Officer

**Ruth Bowe-Darville**
Director

**Renee Saunders-Forsythe**
Director

PKF
Chartered Accountants

# INDEPENDENT AUDITORS' REPORT

## To the Shareholders of Benchmark (Bahamas) Ltd.

We have audited the accompanying consolidated financial statements of Benchmark (Bahamas) Ltd., which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive (loss)/income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, we considered internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Benchmark (Bahamas) Ltd. as of December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *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.

We also draw attention to Note 20, where the United States Securities and Exchange Commission ("SEC") commenced litigation against a subsidiary on or about August 8, 2014. The litigation (complaint) is in its early stage and accordingly, the outcome is uncertain and any potential losses cannot be reasonably estimated.

PKF

April 29, 2015
Nassau, The Bahamas

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# Benchmark (Bahamas) Ltd.

## Consolidated Statement of Financial Position

December 31, 2014 | (Expressed in Bahamian dollars)

| | Notes | 2014 | 2013 |
|---|---|---|---|
| **PROPERTY, PLANT & EQUIPMENT** | 11 | 17,396 | 27,284 |
| **INVESTMENT PROPERTY** | 12 | 4,511,160 | 4,508,660 |
| **LONG-TERM INVESTMENT** | 10 | – | 106,548 |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | 202,621 | 983,264 |
| Due from brokers | 6 | 2,159,578 | 2,737,284 |
| Customer advances | 7 | 852,816 | 682,589 |
| Other receivables and prepayments | | 300,941 | 413,769 |
| Investments in securities | 9 | 8,161,810 | 7,308,484 |
| | | 11,677,766 | 12,125,390 |
| **CURRENT LIABILITIES** | | | |
| Bank overdraft | 13 | 114,684 | 184,304 |
| Accounts payable and accrued expenses | | 287,306 | 258,353 |
| Due to customers | 7 | 11,054,876 | 11,011,855 |
| Investments in securities – (sold short) | 9 | 2,564,350 | 2,293,550 |
| Current portion of bank loan | 13 | 79,673 | 77,625 |
| Loan from Parent Company | 13 | 180,000 | 180,000 |
| | | 14,280,889 | 14,005,687 |
| **NET CURRENT LIABILITIES** | | (2,603,123) | (1,880,297) |
| **NON-CURRENT LIABILITIES** | | | |
| Non-current portion of bank loan | 13 | 431,175 | 481,899 |
| | | 431,175 | 481,899 |
| | | $ 1,494,258 | $ 2,280,296 |
| **EQUITY (PAGE 5)** | | $ 1,494,258 | $ 2,280,296 |

The consolidated financial statements were approved and authorized to be issued on April 29, 2015 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 (Loss)/Income

For the year ended December 31, 2014 | (Expressed in Bahamian dollars)

| | Notes | 2014 | 2013 |
|---|---|---|---|
| **INCOME** | | | |
| Interest | | 63,059 | 45,693 |
| Commission | | 485,381 | 380,488 |
| Portfolio management and advisory fees | | 301,307 | 360,716 |
| Dividends | | 91,410 | 97,934 |
| Rental income | | 256,600 | 346,591 |
| | | 1,197,757 | 1,231,422 |
| **EXPENSES** | | | |
| Payroll costs | | 301,255 | 392,129 |
| Communication, insurance and allowances | | 165,814 | 89,925 |
| Investment advisor fee | 16 | 100,000 | 100,000 |
| Bank charges and interest | | 307,225 | 285,415 |
| Rent and occupancy | | 84,815 | 99,304 |
| Property management fee | | 25,000 | 25,000 |
| Insurance | | 24,596 | 24,957 |
| Professional fees | | 69,930 | 131,247 |
| Depreciation | 11 | 13,088 | 31,267 |
| Directors' and officers' fees | | 38,000 | 42,000 |
| Fuel costs | | 10,098 | 3,265 |
| Cleaning/maintenance | | 52,725 | 23,352 |
| Utilities | | 10,333 | 11,660 |
| Corporate management fees | 17 | 43,550 | 48,500 |
| Printing and stationery | | 15,371 | 21,901 |
| Provision on customer advances and other receivables | 8 | 106,548 | 56,486 |
| Bad debt expense-write-offs | | 90,200 | – |
| Public relations | | 19,356 | 21,455 |
| Dividends paid on securities sold short | | 36,185 | 45,815 |
| Registrar Commission license fees | | 19,333 | 14,500 |
| Clients servicing costs | | 32,288 | 49,666 |
| Business licence fees | | 9,620 | 6,597 |
| Real property tax | | 30,722 | 30,722 |
| Securities Commission licence fees | | 25,103 | 13,750 |
| Bahamas International Securities Exchange listing fees | | 5,350 | 5,700 |
| Net realized foreign exchange loss | | 21,119 | 8,091 |
| | | **1,657,624** | **1,582,704** |
| **Net loss** | | (459,867) | (351,282) |
| **REALIZED AND UNREALIZED (LOSS)/GAIN ON INVESTMENTS:** | | | |
| Net realized (loss)/gain on investments in securities | | (32,742) | 75,530 |
| Net unrealized (loss)/gain on investments in securities | | (293,429) | 439,137 |
| Net realized and unrealized (loss)/gain on investments and exchange | | (326,171) | 514,667 |
| **Net comprehensive (loss)/income** | | **$ (786,038)** | **$ 163,385** |
| Net comprehensive (loss)/income per share | 19 | $ (0.16) | $ 0.03 |

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

## Benchmark (Bahamas) Ltd.

### Consolidated Statement of Changes in Equity

December 31, 2014 | (Expressed in Bahamian dollars)

| | (Note 14) Ordinary Shares | (Note 14) Preference Shares | Contributed Surplus | Accumulated Deficit | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2013 | 49,591 | 5,000,000 | 4,056,273 | (6,988,953) | 2,116,911 |
| Net comprehensive income (Page 8) | – | – | – | 163,385 | 163,385 |
| **Balance at December 31, 2013** | **49,591** | **5,000,000** | **4,056,273** | **(6,825,568)** | **2,280,296** |
| Net comprehensive loss (Page 8) | – | – | – | (786,038) | (786,038) |
| **Balance at December 31, 2014** | **$49,591** | **$5,000,000** | **$4,056,273** | **$(7,611,606)** | **$1,494,258** |

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, 2014 | (Expressed in Bahamian dollars)

| | Notes | 2014 | 2013 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| **Net comprehensive (loss)/income** | | (786,038) | 163,385 |
| Adjustments for: | | | |
| Net movement in unrealized loss/(gain) on investments in securities | | 293,429 | (439,137) |
| Net realized loss/(gain) on investments in securities | | 32,742 | (75,530) |
| Write-off of/Provision for bad debts | | 196,748 | 56,486 |
| Depreciation | 11 | 13,088 | 31,267 |
| **Net Cash Used in Operations Before Changes in Operating Assets and Liabilities** | | (250,031) | (263,529) |
| (Increase)/decrease in customer advances | | (222,388) | 63,178 |
| Decrease/(increase) in other receivables and prepayments | | 74,789 | (52,602) |
| Increase/(decrease) in accounts payable and accrued expenses | | 28,953 | (15,920) |
| Increase/(decrease) in due to customers, net | | 43,021 | (1,091,319) |
| **Net Cash Used in Operating Activities** | | (325,656) | (1,360,192) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of securities | | (1,380,412) | (896,565) |
| Proceeds from sale of securities | | 471,715 | 2,144,459 |
| Purchase of property, plant & equipment | 11 | (3,200) | (22,990) |
| Improvements to investment property | 12 | (2,500) | (8,660) |
| **Net Cash (Used in)/Provided by Investing Activities** | | (914,397) | 1,216,244 |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Proceeds from loan from Parent Company | 13 | – | 180,000 |
| Bank loan – repayments | 13 | (48,676) | (66,461) |
| Redemption of preference shares | 14 | – | (1,000,000) |
| **Net Cash Used in Financing Activities** | | (48,676) | (886,461) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (1,288,729) | (1,030,409) |
| Cash and cash equivalents, beginning of year | | 3,536,244 | 4,566,653 |
| **Cash and cash equivalents, end of year** | | $2,247,515 | $3,536,244 |
| **CASH AND CASH EQUIVALENTS ARE COMPRISED OF:** | | | |
| Cash and cash equivalents | 6 | 202,621 | 983,264 |
| Due from brokers | 6 | 2,159,578 | 2,737,284 |
| Bank overdraft | 13 | (114,684) | (184,304) |
| | | $ 2,247,515 | $ 3,536,244 |

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



Benchmark (Bahamas) Ltd.

## Notes to Consolidated Financial Statements

December 31, 2014

### 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 (2013 – 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, 2014, 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 One Bay Street, 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. Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*

The application guidance to IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities. A financial asset and a financial liability shall be offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company (a) currently has a legally enforceable right to set off the recognized amounts and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 2.2 New and revised IFRSs in issue but not yet effective

1. IFRS # 9 – *Financial instruments*

The new standard 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 loss. The only exception would be when such treatment would give rise to, or enlarge an accounting mismatch in profit and loss.

A revised version issued in July 2014 mainly includes impairment 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. The standard is effective for years commencing on or after 1 January 2018, with earlier adoption permitted.

2. Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments to IAS 16 prohibit entities from using the revenue-based depreciation method for items of property, plant and equipment. Currently, the Group uses the straight-line method of depreciation for its property, plant and equipment. The amendments are effective on or after January 1, 2016.

3. Annual Improvements to IFRSs 2010-2012 Cycle

IFRS 13 – *Fair Value Measurement*

Entities are not prevented by the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendments are effective for accounting periods beginning on or after July 1, 2014.

IAS 24 – *Related Party Disclosures – Key Management Personnel*

Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

## 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).

**(b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments that are measured at fair values and 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.





## 3. BASIS OF PREPARATION (continued)

**(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 and expense recognition**

Income and expenses are recognized on the accrual basis.

Dividends are recorded on the ex-dividend date.

**(b) Interest income and expenses**

Interest income and expense are recognized in the consolidated statement of comprehensive (loss)/income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

**(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.

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

**(c) Foreign currency transactions (continued)**

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 statement of comprehensive (loss)/income.

**(d) Property, plant and equipment**

Property, plant & equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognized in the consolidated statement of comprehensive (loss)/income 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 |

**(e) Investment property**

This is comprised of land and buildings held for appreciation or rental. The Group 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 (loss)/income 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 (loss)/income. 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 (loss)/income per share**

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

**(h) Capital management**

The Group's main objective when managing its capital is to safeguard its ability to continue as a going concern, so that it continues to provide returns for its shareholders and benefits for other stakeholders.

**(i) Financial instruments**

(i) Classification

The Group 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.

(ii) 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.





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

**(i) Financial instruments (continued)**

(ii) Recognition (continued)

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

(iii) 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.

Subsequent to initial recognition, loans and receivables are measured at amortized cost, with assessment for impairment. Investments at FVTPL are 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).

(iv) Derecognition

Financial instruments are derecognized on the trade date when the Group 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 re-measurement 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 cost net of allowance for any doubtful debts. These balances are available for withdrawal on demand.

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

### (i) Financial instruments (continued)

Financial assets (continued)

**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.

**Accounts receivable**
Accounts receivable 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 (loss)/income.

**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.

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

**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 Group's consolidated financial statements and related disclosures must be estimated, requiring the Group's 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**
**(b) Impairment of assets**
**(c) Fair valuation of investment property**

## 6. CASH AT BANK AND DUE FROM BROKERS

Cash at bank comprise current accounts bearing interest at rates ranging from 0% to 3% (2013: 0% to 3%) per annum.

The Group has margin account facilities with certain brokers which bear interest at rates ranging from 0% to 7.75% (2013: 0% to 11%) per annum, which are collateralized by securities owned by both a subsidiary within the Group and certain customers.

## 7. CUSTOMER ADVANCES AND DUE TO CUSTOMERS

At the date of the statement of financial position, customer advances are shown net of a provision for doubtful debts amounting to $9,792,146 (2013: $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 (2013: $809,046) 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.

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:

| | 2014 | 2013 |
|---|---|---|
| Balance at beginning of year | 9,798,235 | 9,741,749 |
| Provision | 106,548 | 56,486 |
| **Balance at end of year** | $ 9,904,783 | $ 9,798,235 |
| Representing: | | |
| Specific provision for customer advances | 9,792,146 | 9,792,146 |
| Specific provision for other receivables | 112,637 | 6,089 |
| **Balance at end of year** | $ 9,904,783 | $ 9,798,235 |

## 9. INVESTMENTS IN SECURITIES

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Industry** | **Cost** | **Market Value** | **Cost** | **Market Value** |
| Biotechnology | 94,646 | 18,432 | 106,073 | 19,438 |
| Financial services | 5,163,631 | 6,421,831 | 3,051,579 | 5,016,310 |
| Utilities | 78,644 | 25,898 | 60,070 | 24,700 |
| Industrial | 1,635,922 | 1,329,902 | 2,468,565 | 1,673,568 |
| Entertainment | 139,661 | 8,792 | 139,661 | 28,574 |
| Insurance | 215,785 | 1,953 | 214,433 | 1,125 |
| Wholesale and retail | 78,958 | 55,200 | 78,958 | 43,682 |
| Other | 350,830 | 92,009 | 463,122 | 218,821 |
| Technology | 150,978 | 110,993 | 69,338 | 160,166 |
| Construction | 173,250 | 96,800 | 173,250 | 122,100 |
| | $ 8,082,305 | $ 8,161,810 | $ 6,825,049 | $ 7,308,484 |

**Investments sold short:**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Industry** | **Cost** | **Market Value** | **Cost** | **Market Value** |
| Industrial | 391,976 | 1,109,100 | 349,866 | 974,550 |
| Financial services | 144,849 | 930,400 | 132,629 | 907,300 |
| Other | 118,624 | 524,850 | 114,076 | 411,700 |
| | $ 655,449 | $ 2,564,350 | $ 596,571 | $ 2,293,550 |





## 10. LONG-TERM INVESTMENT

This represents progressive contributions made to acquire equity in Celepay Ltd., a Company incorporated in The Bahamas in April 2011. Celepay commenced operations during the last quarter in 2011. As at year-end, this investment was considered irrecoverable and written off.

| | 2014 | 2013 |
|---|---|---|
| Balance due from Celepay | 106,548 | 106,548 |
| Less: Provision for bad debts | (106,548) | – |
| | $ – | $ 106,548 |

## 11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise the following:

| | Office & Leasehold Improvements | Furniture, Fixtures & Equipment | Total |
|---|---|---|---|
| **COST:** | | | |
| At January 1, 2014 | 133,656 | 281,421 | 415,077 |
| Additions | – | 3,200 | 3,200 |
| At December 31, 2014 | 133,656 | 284,621 | 418,277 |
| **ACCUMULATED DEPRECIATION:** | | | |
| At January 1, 2014 | 133,656 | 254,137 | 387,793 |
| Charge for the year | – | 13,088 | 13,088 |
| At December 31, 2014 | 133,656 | 267,225 | 400,881 |
| **NET BOOK VALUE:** | | | |
| At December 31, 2014 | $ – | $ 17,396 | $ 17,396 |
| At December 31, 2013 | $ – | $ 27,284 | $ 27,284 |

## 12. INVESTMENT PROPERTY

This is comprised of the following:

| | Land | Building | Parking | Total |
|---|---|---|---|---|
| At January 1, 2014 | 1,065,000 | 3,323,630 | 120,030 | 4,508,660 |
| Improvements | – | – | 2,500 | 2,500 |
| **Balance at December 31, 2014** | **$1,065,000** | **$3,323,630** | **$122,530** | **$4,511,160** |

On December 6, 2012 an independent appraisal of fair value was carried out resulting in an appreciation of $559,987.

The fair value of the Company's 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 in the Group entered into an overdraft facility agreement with Commonwealth Bank of $250,000, the utilized portion of which bears interest at the annual rate of B$ prime plus 3%. At year end, the Subsidiary has pledged equity securities with a market value of $470,563 (2013: $1,232,177) as security.

**(b) Bank loan – Bank of The Bahamas**

During 2009, the Company received a loan in the amount of $1,700,000 (inclusive of arrangement fees) from Bank of the Bahamas Ltd. to finance the investment property. This loan bears interest at the rate of B$ prime plus 4% and is repayable on demand (based on a 10 year amortization schedule) 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 property and buildings, which is financed by the same loan. In addition, insurance of the aforementioned building has also been assigned to the bank.

| | 2014 | 2013 |
|---|---|---|
| Current portion of loan | 79,673 | 77,625 |
| Non-current portion of loan | 431,175 | 481,899 |
| | $ 510,848 | $ 559,524 |





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

**(c) Due to brokers**

Alliance has margin account facilities with certain brokers which bear interest at rates ranging from 0% to 7.75% (2013: 0% to 11%) per annum and which are collateralized by securities which are owned by certain customers and a Subsidiary within the Group. Such collateral and securities are not reflected in the consolidated statement of financial position, as explained in Note 15.

**(d) Loan from Parent Company**

During 2013, the Company received a loan in the amount of $180,000 from it's 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 Company had pledged equity securities with a market value of $375,000 (2013: $345,000) as security.

## 14. SHARE CAPITAL

**(a) Ordinary Shares**

At December 31, 2014 and 2013, 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, 2014, there were $5,000,000 (2013: $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 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 by the Company 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 the Company. At December 31, 2014, assets under administration totaled approximately $12.1 million (2013: $11.9 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 per annum payable in monthly installments beginning January 1, 2001.

Mr. Julian Renaud Brown, a director, is President and Chairman of the Company and 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 Group, is paid a fee of $24,000 per annum (2013: $20,000) by the Group. In addition, fees of $2,850 per annum (2013: $2,500), $3,700 per annum (2013: $3,000) and $13,000 (2013: $13,000) 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 payroll costs for the year ended December 31, 2014 amounted to $200,732 (2013: $284,000).

## 19. NET COMPREHENSIVE (LOSS)/INCOME PER SHARE

The calculation of net comprehensive (loss)/income per share is based on the consolidated net comprehensive loss of $786,038 (2013: income of $163,385) and on the weighted average number of ordinary shares outstanding during the year of 4,959,111 (2013: 4,959,111).

## 20. CONTINGENT LIABILITIES

**(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 have been responsive in communicating with the regulator in good faith to resolve this issue. As at the date of approval of these financial statements, the Directors have requested, and are awaiting further clarification from the regulator to resolve this issue.

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 subsidiary's parent entity have replaced the letter of comfort with a letter of guarantee.

**(b) Liquidation of a significant client**

During 2012, a subsidiary of the Group, 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 alleges 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 indicates that the subsidiary and President misrepresented themselves to investors as Battoo's custodian when, since at least 2009, their firm did not have custody of most of the assets listed on investor account statements. The SEC further alleges 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 seeks 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.

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. In view of the early stage, the outcome of the litigation (complaint) is uncertain and any potential losses cannot be reasonably estimated.



Benchmark (Bahamas) Ltd.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014

## 21. RELATED PARTY BALANCES AND TRANSACTIONS

At December 31, 2014 and 2013 related party balances and transactions comprise:

| | 2014 | 2013 |
|---|---|---|
| | $ | $ |
| Directors' and officers' fees | 38,000 | 42,000 |
| Corporate management fee | 43,550 | 48,500 |
| Investment advisor fee | 100,000 | 100,000 |
| Key management compensation | 200,732 | 284,000 |
| Loan from Parent Company | 180,000 | 180,000 |

## 22. CAPITAL MANAGEMENT

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

A subsidiary of the Group 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. COMMITMENTS

**Lease**

A subsidiary of the Group entered into a commercial lease agreement for office space with British Colonial Development Company Limited. This non-cancellable lease was for 5-year terms, the last of which expired on March 31, 2014, and was renewed for a further 1-year term. The 5-year lease agreement is now renewed annually by the new lessor.

Future minimum lease payments under this lease are as follows:

| | 2014 | 2013 |
|---|---|---|
| **Less than one year** | $ 43,086 | $ 42,060 |

## 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 Group 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(i):

| | Loans and receivables (amortized cost) $ | Fair value through profit or loss $ | Held-to-maturity (amortized cost) $ | Available for sale investments $ | Total $ |
|---|---|---|---|---|---|
| **2014** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 202,621 | – | – | – | 202,621 |
| Due from brokers | 2,159,578 | – | – | – | 2,159,578 |
| Customer advances | 852,816 | – | – | – | 852,816 |
| Investments in securities | – | 8,161,810 | – | – | 8,161,810 |
| Other receivables | 287,977 | – | – | – | 287,977 |
| | $ 3,502,992 | $ 8,161,810 | $ – | $ – | $ 11,664,802 |

| | Fair value through profit or loss $ | Other financial liabilities $ | Total $ |
|---|---|---|---|
| **2014** | | | |
| **Financial Liabilities** | | | |
| Bank overdraft | – | 114,684 | 114,684 |
| Accounts payable & accrued expenses | – | 287,306 | 287,306 |
| Due to customers | – | 11,054,876 | 11,054,876 |
| Investments in securities – (sold short) | 2,564,350 | – | 2,564,350 |
| Current portion of bank loan | – | 79,673 | 79,673 |
| Loan from Parent Company | – | 180,000 | 180,000 |
| Non-current portion of bank loan | – | 431,175 | 431,175 |
| | $ 2,564,350 | $12,147,714 | $ 14,712,064 |





## 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 $ |
|---|---|---|---|---|---|
| **2013** | | | | | |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 983,264 | – | – | – | 983,264 |
| Due from brokers | 2,737,284 | – | – | – | 2,737,284 |
| Customer advances | 682,589 | – | – | – | 682,589 |
| Investments in securities | – | 7,308,484 | – | – | 7,308,484 |
| Long-term investment | 106,548 | – | – | – | 106,548 |
| Other receivables | 318,669 | – | – | – | 318,669 |
| | $4,828,354 | $7,308,484 | $ – | $ – | $12,136,838 |

| | Fair value through profit or loss $ | Other financial liabilities $ | Total $ |
|---|---|---|---|
| **2013** | | | |
| **Financial Liabilities** | | | |
| Bank overdraft | – | 184,304 | 184,304 |
| Accounts payable & accrued expenses | – | 258,353 | 258,353 |
| Due to customers | – | 11,011,855 | 11,011,855 |
| Investments in securities – (sold short) | 2,293,550 | – | 2,293,550 |
| Current portion of bank loan | – | 77,625 | 77,625 |
| Loan from Parent Company | – | 180,000 | 180,000 |
| Non-current portion of bank loan | – | 481,899 | 481,899 |
| | $2,293,550 | $12,194,036 | $14,487,586 |

**Fair value of financial instruments**

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

(i) Investments in securities and investments sold short 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 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | $ | $ | $ | $ |
| FINANCIAL ASSETS | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Investments in securities | 8,161,810 | – | – | 8,161,810 |
| FINANCIAL LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Investments (sold short) | 2,564,350 | – | – | 2,564,350 |

| | Fair value measurements as at 31 December 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | $ | $ | $ | $ |
| FINANCIAL ASSETS | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Investments in securities | 7,308,484 | – | – | 7,308,484 |
| FINANCIAL LIABILITIES | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Investments (sold short) | 2,293,550 | – | – | 2,293,550 |

**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.





## 24. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS (continued)

**Fair value hierarchy and measurements (continued)**

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

| | Fair value measurements as at 31 December 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | $ | $ | $ | $ |
| FINANCIAL ASSETS | | | | |
| Cash at bank | 202,621 | – | – | 202,621 |
| Due from brokers | 2,159,578 | – | – | 2,159,578 |
| Customer advances | – | 852,816 | – | 852,816 |
| Other receivables | – | 287,977 | – | 287,977 |
| FINANCIAL LIABILITIES | | | | |
| Accounts payable and accrued expenses | – | 287,306 | – | 287,306 |
| Due to customers | – | 11,054,876 | – | 11,054,876 |

| | Fair value measurements as at 31 December 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | $ | $ | $ | $ |
| FINANCIAL ASSETS | | | | |
| Cash at bank | 983,264 | – | – | 983,264 |
| Due from brokers | 2,737,284 | – | – | 2,737,284 |
| Customer advances | – | 682,589 | – | 682,589 |
| Other receivables | – | 318,669 | – | 318,669 |
| FINANCIAL LIABILITIES | | | | |
| Accounts payable and accrued expenses | – | 258,353 | – | 258,353 |
| Due to customers | – | 11,011,855 | – | 11,011,855 |

## 25. FINANCIAL RISK MANAGEMENT

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

The Group's risk management policies are established to identify and analyze the risk faced by the Group, 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 Group's activities.

**Credit risk**

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

The Group'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 Group 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:

| | 2014 | 2013 |
|---|---|---|
| (a) Banks with credit-rating of B and above | 202,621 | 983,264 |
| (b) International stockbrokers | 2,159,578 | 2,737,284 |
| (c) Other receivables | 287,977 | 318,669 |
| (d) Due from customers | 852,816 | 682,589 |
| | $3,502,992 | $4,721,806 |

**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.

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





## 25. FINANCIAL RISK MANAGEMENT (continued)

**b. Liquidity risk (continued)**

| | 0 to 3 months $ | 3 Months to 1 year $ | Over 1 year $ | Total $ |
|---|---|---|---|---|
| **2014** | | | | |
| **Financial Liabilities** | | | | |
| Bank overdraft | 114,684 | – | – | 114,684 |
| Accounts payable & accrued expenses | 287,306 | – | – | 287,306 |
| Due to customers | – | 3,316,463 | 7,738,413 | 11,054,876 |
| Investments – (sold short) | – | 2,564,350 | – | 2,564,350 |
| Current portion of bank loan | 19,918 | 59,755 | – | 79,673 |
| Loan from Parent Company | – | 180,000 | – | 180,000 |
| Non-current portion of bank loan | – | – | 431,175 | 431,175 |
| | $ 421,908 | $ 6,120,568 | $ 8,169,588 | $ 14,712,064 |
| **2013** | | | | |
| **Financial Liabilities** | | | | |
| Bank overdraft | 184,304 | – | – | 184,304 |
| Accounts payable & accrued expenses | 258,353 | – | – | 258,353 |
| Due to customers | – | 3,303,556 | 7,708,299 | 11,011,855 |
| Investments – (sold short) | – | 2,293,550 | – | 2,293,550 |
| Current portion of bank loan | 18,813 | 58,812 | – | 77,625 |
| Loan from Parent Company | – | 180,000 | – | 180,000 |
| Non-current portion of bank loan | – | – | 481,899 | 481,899 |
| | $ 461,470 | $ 5,835,918 | $ 8,190,198 | $ 14,487,586 |

**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 Group'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 Group is exposed to currency risk and interest rate risk.

**a. Currency risk**

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

**b. Interest rate risk**

The Group 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.


**SHARE REGISTRAR AND TRANSFER AGENT**

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