

**BENCHMARK (BAHAMAS) LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

BENCHMARK (BAHAMAS) LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011



CONTENTS

PAGE

1 - 2	Independent Auditors' Report
3	Consolidated Statement of Financial Position
4	Consolidated Statement of Comprehensive Loss
5	Consolidated Statement of Changes in Equity
6	Consolidated Statement of Cash Flows
7 - 28	Notes to Consolidated Financial Statements

## 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, 2011, and the consolidated statements of comprehensive loss, 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 evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

Direct Telephone: [242] 322-8560/1

Direct Facsimile: [242] 326-7524 | Email: pkfbah@batelnet.bs

PKF | 44 Elizabeth Avenue | Pannell House | P. O. Box N-8335

Nassau | New Providence | Bahamas

*Auditors' Responsibility (Continued)*

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

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Benchmark (Bahamas) Ltd.** as of December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



**April 4th, 2012**  
**Nassau, Bahamas**

BENCHMARK (BAHAMAS) LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011



(Expressed in Bahamian dollars)

	Notes	2011	2010
<b>PROPERTY, PLANT &amp; EQUIPMENT</b>	11	75,247	104,315
<b>INVESTMENT PROPERTY</b>	12	3,763,643	3,720,170
<b>LONG-TERM NOTE RECEIVABLE</b>	9	-	300,000
<b>LONG-TERM INVESTMENT</b>	10	75,000	-
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	1,893,824	2,366,097
Due from brokers	5	1,965,514	2,214,403
Customer advances	6	40,387,985	40,692,956
Dividends receivable		22,930	30,573
Other receivables		425,369	617,256
Loan receivable		10,558	10,000
Note receivable	9	300,000	-
Investments in securities	8	6,670,705	7,906,769
		<u>51,676,885</u>	<u>53,838,054</u>
<b>CURRENT LIABILITIES</b>			
Bank overdraft	13	448,220	456,769
Accounts payable and accrued expenses		214,125	81,287
Due to customers	6	48,699,703	51,572,709
Investments in securities - (sold short)	8	1,368,600	1,352,700
Current portion of bank loan	13	96,000	118,198
		<u>50,826,648</u>	<u>53,581,663</u>
<b>NET CURRENT ASSETS</b>		<u>850,237</u>	<u>256,391</u>
<b>NON-CURRENT LIABILITIES</b>			
Preference shares	14	1,000,000	1,000,000
Non-current portion of bank loan	13	1,379,367	1,494,582
		<u>2,379,367</u>	<u>2,494,582</u>
		<u>\$ 2,384,760</u>	<u>\$ 1,886,294</u>
<b>EQUITY (Page 5)</b>		<u>\$ 2,384,760</u>	<u>\$ 1,886,294</u>

The consolidated financial statements were approved and authorized to be issued on April 4th 2012 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.

PKF

## BENCHMARK (BAHAMAS) LTD.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

FOR THE YEAR ENDED DECEMBER 31, 2011

(Expressed in Bahamian dollars)



	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<b>INVESTMENT INCOME</b>			
Interest		120,647	182,567
Commission		51,042	256,668
Portfolio management and advisory fees		640,618	579,900
Dividends		155,766	155,071
Rental income		241,149	81,920
		<u>1,209,222</u>	<u>1,256,126</u>
<b>EXPENSES</b>			
Payroll costs		456,907	374,110
Communication, insurance and allowances		57,136	92,438
Commission		-	15,000
Investment advisor fee	16	100,000	100,000
Bank charges and interest		365,393	228,351
Rent and occupancy		105,051	95,486
Property management fee		25,000	6,250
Insurance		23,777	24,453
Professional fees		79,676	136,032
Depreciation	11	53,746	41,952
Directors' and officers' fees		40,500	37,500
Fuel costs		8,600	1,125
Cleaning/maintenance		18,787	2,144
Utilities		11,726	1,186
Corporate management fees	17	42,175	33,500
Printing and stationery		14,609	13,317
Provision on customer advances	7	300,000	-
Public relations		45,932	28,629
Dividends paid on securities sold short		34,431	70,562
Registrar Commission license fees		16,060	14,500
Business licence fees		13,780	17,036
Securities Commission licence fees		10,708	10,267
Bahamas International Securities Exchange listing fees		5,700	5,700
Net foreign exchange loss		9,946	120,805
		<u>1,839,640</u>	<u>1,470,343</u>
<b>Net loss from investments</b>		<u>(630,418)</u>	<u>(214,217)</u>
<b>REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:</b>			
Gain on revaluation of investment property	12	-	513,114
Net realized gain/(loss) on investments in securities		65,737	(1,312,738)
Net movement in unrealized loss on investments in securities		(1,936,853)	777,469
<b>Net realized and unrealized loss on investments</b>		<u>(1,871,116)</u>	<u>(22,155)</u>
<b>Net loss for the year</b>		<u>\$ (2,501,534)</u>	<u>\$ (236,372)</u>
<b>Net loss per share</b>	19	\$ (0.50)	\$ (0.05)

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

BENCHMARK (BAHAMAS) LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

DECEMBER 31, 2011

(Expressed in Bahamian dollars)

	(Note 14) Ordinary shares	(Note 14) Preference shares	Contributed surplus	Accumulated deficit	Total
Balance at January 1, 2010	49,591	-	4,056,273	(3,983,198)	122,666
Issue of shares (Note :14)	-	2,000,000	-	-	2,000,000
Net loss for the year (Page 4)	-	-	-	(236,372)	(236,372)
<b>Balance at December 31, 2010</b>	<b>49,591</b>	<b>2,000,000</b>	<b>4,056,273</b>	<b>(4,219,570)</b>	<b>1,886,294</b>
Net loss for the year (Page 4)	-	-	-	(2,501,534)	(2,501,534)
Issue of shares (Note :14)	-	3,000,000	-	-	3,000,000
<b>Balance at December 31, 2011</b>	<b>\$ 49,591</b>	<b>\$ 5,000,000</b>	<b>\$ 4,056,273</b>	<b>\$ (6,721,104)</b>	<b>\$ 2,384,760</b>

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, 2011



(Expressed in Bahamian dollars)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Net loss for the year</b>		<b>(2,501,534)</b>	<b>(236,372)</b>
Adjustments for:			
Net movement in unrealized loss on investments in securities		1,971,284	(706,755)
Net realized (gain)/loss on investments in securities		(65,737)	1,312,738
Gain on revaluation of investment property		-	(513,114)
Depreciation	11	53,746	41,952
<b>Cash Used in Operations before Changes in operating Assets and Liabilities</b>		<b>(542,241)</b>	<b>(101,551)</b>
Decrease/(increase) in customer advances		304,971	(14,726,908)
Decrease in dividends receivable		7,643	-
Increase in loan receivable		(558)	(10,000)
Decrease/(increase) in other receivables		191,887	(406,690)
Increase in accounts payable and accrued expenses		132,838	33,862
Increase in due to customers, net		126,994	11,257,174
<b>Net Cash Provided by/(Used in) Operating Activities</b>		<b>221,534</b>	<b>(3,954,113)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of securities		(981,843)	(9,576,854)
Proceeds from sale of securities		328,260	2,862,964
Purchase of long-term investment	10	(75,000)	-
Purchase of property, plant & equipment	11	(24,678)	(822,093)
Additions to investment property	12	(43,473)	-
<b>Net Cash Used in Investing Activities</b>		<b>(796,734)</b>	<b>(7,535,983)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Bank loan - Drawdown	13	-	661,859
Bank loan - Repayments	13	(137,413)	(87,220)
<b>Net Cash (Used in)/Provided by Financing Activities</b>		<b>(137,413)</b>	<b>574,639</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(712,613)</b>	<b>(10,915,457)</b>
<b>Cash and cash equivalents, beginning of year</b>		<b>4,123,731</b>	<b>15,039,188</b>
<b>Cash and cash equivalents, end of year</b>		<b>\$ 3,411,118</b>	<b>\$ 4,123,731</b>
<b>Cash and cash equivalents are comprised of:</b>			
Cash and cash equivalents	5	1,893,824	2,366,097
Due from brokers	5	1,965,514	2,214,403
Bank overdraft	13	(448,220)	(456,769)
		<b>\$ 3,411,118</b>	<b>\$ 4,123,731</b>

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

**BENCHMARK (BAHAMAS) LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**



**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 (2009 - 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 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.

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 Company issued a letter of comfort during the year 2011 to Alliance confirming its commitment to ensuring that the subsidiary is funded for the foreseeable future.

The address of the registered office of the Company is Gresham House, Charlotte Street South, Nassau, Bahamas and its principal place of business is One Bay Street, Nassau, Bahamas.

PKF

DECEMBER 31, 2011

**2. 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).

During the current year, the Company has adopted the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for reporting periods beginning January 1, 2011.

IAS 1 - Presentation of Financial Statements (Amendment)

IAS 24 - Related Party Disclosures (Amendment)

IFRS 1 - First-time Adoption of International Financial Reporting Standards  
(Amendment)

IFRS 7 - Financial Instruments: Disclosures (Amendment)

The following standards and interpretations relevant to the Company's operations were issued and available for early application but have not yet been applied by the Company in these consolidated financial statements. The Company intends to apply these standards and interpretations when they become effective. Application of the majority of these standards and interpretations is not expected to have a material effect on the consolidated financial statements in the future.

IAS 1 - Presentation of Financial Statements (Amendment)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 28 - Investments in Associates (Amendment)

IAS 32 - Financial Instruments: Presentation (Amendment)

IFRS 1 - First-time Adoption of International Financial Reporting Standards  
(Amendment)

IFRS 7 - Financial Instruments: Disclosures (Amendment)

IFRS 9 - Financial Instruments: Classification and Measurement

IFRS 10 - Consolidated Financial Statements

IFRS 12 - Disclosure of Interests in Entities

IFRS 13 - Fair Value Measurement

**2. BASIS OF PREPARATION (Continued)****(b) Basis of measurement**

The consolidated financial statements have been prepared on the cost basis, except where otherwise noted.

**(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 judgements**

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 judgement or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements are disclosed in Note 4.

**(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.

An associate is an entity in which the Company has a significant influence, but not control, over the financial and operating policies. The investment is accounted for on the equity basis, under which the carrying value is adjusted to recognize the Company's proportionate share of the increases or decreases of the underlying net book equity of the investee subsequent to the date of the investment therein, and the Company's share of the net earnings of the investee is included in the determination of the net income of the Company from the date significant influence commences until the date significant influence ceases.

**2. BASIS OF PREPARATION (Continued)****(e) Principles of consolidation (Continued)**

On consolidation intragroup balances and intragroup transactions and unrealized gains/losses are eliminated in full.

**3. 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 using the effective interest 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 calculations of the effective interest rate includes all fees and points 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 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. Foreign exchange differences arising on translation are recognized in the statement of comprehensive loss.

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

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

DECEMBER 31, 2011

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Property, plant and equipment (Continued)

The estimated useful lives of the assets are as follows:

Leasehold improvements	5 years
Furniture & fixtures	5 years
Office and computer equipment	3 years
Web-site	3 years

#### (e) Investment property

This comprises of land and buildings held for appreciation or rental. The Company has elected to use the fair value model for subsequent measurement. Gains or losses arising from changes in the fair value of investment property are included in the statement of comprehensive 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 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 statement of comprehensive 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, net of depreciation, if no impairment loss had been recognized.

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

#### (g) Net loss per share

Net loss per share is calculated by dividing the net loss for the year by the weighted average number of shares outstanding.

#### (h) Capital management

The Company'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.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) 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, financial liabilities and equity instruments are further grouped as loans and receivables, fair value through profit or loss (FVTPL), amortized cost and available for sale (AFS).

##### 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 is measured at amortized cost, with assessment for impairment. FVTPL is measured at fair value. AFS is measured at fair value with changes shown directly in equity. Financial liabilities are measured at fair value and all other liabilities at amortized cost. (See Note 25)

##### Derecognition

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

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(i) **Financial instruments (Continued)**

**Financial assets are:**

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months maturity from the date of acquisition, and include cash at banks and balances due from brokers.

**Investments**

Subsequent to initial recognition, all investments in securities are measured at fair value, as determined by the Directors. Investments in unrestricted equity securities are valued, for listed securities, at their last recorded close price at the period end as provided by the relevant stock exchange.

Investments in unrestricted equity securities are valued on the same basis as their unrestricted counterparts, subject to a discount factor based on the length of time remaining in restricted status, the volatility of the trading price of the unrestricted shares, and the risk free interest rates currently available to the Company. Taking these factors into account, restricted shares have been valued using a discount factor of 50%.

The cost of investments in securities sold is determined on the average cost basis. Net realized gains/losses and the movement in the unrealized appreciation/loss on investments are included in the consolidated statement of comprehensive loss.

DECEMBER 31, 2011

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(i) Financial instruments (Continued)****Financial assets (Continued)****Due from brokers**

Due from brokers include margin account facilities with certain brokers which are collateralized by securities which are owned by certain customers. These are grouped as loans and advances.

**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. These are grouped as loans and advances.

**Accounts receivable and prepayments**

Accounts receivable are stated at amortized cost net of any allowance for doubtful accounts.

**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**

The bank is stated at amortized cost.

**Preference shares**

Preference shares are stated at amortized cost.

DECEMBER 31, 2011

**4. CRITICAL ACCOUNTING JUDGEMENTS 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 the Company'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 financial position and results, and requires management's most difficult, subjective or complex judgements, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Judgements 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 judgements 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

**5. CASH AND CASH EQUIVALENTS AND DUE FROM BROKERS**

Cash and cash equivalents and due from brokers comprise current accounts bearing interest at rates ranging from 0% to 3% (2010: 0% to 3%) per annum.

The Company has margin account facilities with certain brokers which bear interest at rates ranging from 0% to 11% (2010 - 0% to 11%) per annum which are collateralized by securities which are owned by certain customers. Such collateral and securities are not reflected in the statement of financial position, as explained in Note 15.

DECEMBER 31, 2011

## 6. 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 of \$8,635,660 (2010: \$8,335,660). Advances made to and from customers include amounts due on/excess funds held relating to cash and margin transactions. Advances to customers on margin bear interest at US\$ prime plus 4% and securities owned by customers are held as collateral. Such collateral and securities are not reflected in the consolidated statement of financial position, as explained in note 15. Interest is paid on excess funds in customer accounts at rates ranging from 0% to 3% (2010: 0% to 3%).

At the date of the consolidated statement of financial position, 81% (2010: 83%) of the customer advances was provided to a single customer.

## 7. PROVISION FOR DOUBTFUL DEBTS

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

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	8,341,749	8,341,749
Provision	300,000	-
<b>Balance at end of year</b>	<b><u>\$ 8,641,749</u></b>	<b><u>\$ 8,341,749</u></b>
Representing:		
Specific provision for customer advances	8,635,660	8,335,660
Specific provision for other receivables	6,089	6,089
<b>Balance at end of year</b>	<b><u>\$ 8,641,749</u></b>	<b><u>\$ 8,341,749</u></b>

DECEMBER 31, 2011

## 8. INVESTMENTS IN SECURITIES

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

Industry	2011		2010	
	Cost	Market Value	Cost	Market Value
Biotechnology	54,370	108	97,750	42,955
Financial services	3,553,075	4,865,575	2,866,250	5,019,524
Utilities	89,405	46,220	89,405	46,720
Industrial	2,382,389	1,364,402	2,183,208	1,926,777
Entertainment	139,661	19,782	158,223	41,402
Insurance	214,433	1,748	214,433	982
Wholesale and retail	78,958	35,756	78,958	23,148
Other	329,923	75,644	337,748	137,561
Technology	375,722	199,470	542,322	532,950
Construction	173,250	62,000	173,250	134,750
	<u>\$ 7,391,186</u>	<u>\$ 6,670,705</u>	<u>\$ 6,741,547</u>	<u>\$ 7,906,769</u>

## Investments sold short:

Industry	2011		2010	
	Cost	Market Value	Cost	Market Value
Industrial	349,866	686,700	349,865	748,200
Financial Services	132,629	471,700	132,629	429,200
Other	114,076	210,200	114,077	175,300
	<u>\$ 596,571</u>	<u>\$ 1,368,600</u>	<u>\$ 596,571</u>	<u>\$ 1,352,700</u>

DECEMBER 31, 2011

**9. LONG-TERM NOTE RECEIVABLE**

A 20% equity stake in John S George & Co. Ltd., which was acquired on July 1, 2004 was subsequently sold during 2009 for a long-term note amounting to \$300,000.

This note carries interest from January 1, 2011, at The Bahamas prime rate plus 1.5% per annum. The note is secured by a second mortgage over property.

The note and any outstanding interest is repayable in full before December 31, 2012.

**10. LONG-TERM INVESTMENT**

This represents progressive contributions being made to acquire equity in Celepay Ltd., a Company incorporated in The Bahamas in April 2011. When contributions reach \$106,000, it would represent 25% equity of Celepay, and would be designated as an Associate. Celepay commenced operations during the last quarter in 2011. As at year-end this investment is recognized at cost.

**11. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment comprise the following:

	<u>Office &amp; Leasehold Improvements</u>	<u>Furniture Fixtures &amp; Equipment</u>	<u>Total</u>
<b>COST:</b>			
At January 1, 2011	131,856	235,553	367,409
Additions	1,800	22,878	24,678
<b>At December 31, 2011</b>	<b>133,656</b>	<b>258,431</b>	<b>392,087</b>
<b>ACCUMULATED DEPRECIATION:</b>			
At January 1, 2011	131,856	131,238	263,094
Expense for the year	-	53,746	53,746
<b>At December 31, 2011</b>	<b>131,856</b>	<b>184,984</b>	<b>316,840</b>
<b>NET BOOK VALUE</b>			
At December 31, 2011	<u>\$ 1,800</u>	<u>\$ 73,447</u>	<u>\$ 75,247</u>
<b>NET BOOK VALUE</b>			
At December 31, 2010	<u>\$ -</u>	<u>\$ 104,315</u>	<u>\$ 104,315</u>

DECEMBER 31, 2011

**12. INVESTMENT PROPERTY**

This is comprised of the following:

	<u>Land</u>	<u>Building</u>	<u>Total</u>
At January 1, 2011	1,065,000	2,655,170	3,720,170
Additions	-	43,473	43,473
<b>Balance at December 31, 2011</b>	<b><u>\$ 1,065,000</u></b>	<b><u>\$ 2,698,643</u></b>	<b><u>\$ 3,763,643</u></b>

The project was completed at a cost of \$3,207,056 and commissioned in June 2010. On November 10, 2010 an independent appraisal of fair value was carried out resulting in a gain of \$513,114.

**13. BANK LOAN, OVERDRAFT FACILITY AND DUE TO BROKERS****(a) Bank overdraft - First Caribbean International Bank**

The Company has an overdraft facility of the lesser of \$400,000 and 40% of the market value of securities pledged with First Caribbean International Bank (Bahamas) Limited, the utilized portion of which bears interest at the annual rate of B\$ prime plus 3%. At year end the Company has pledged equity securities with a market value of \$2,675,148 (2010: \$2,675,148) as security.

**Bank overdraft - Commonwealth Bank**

Effective May 12, 2011, Benchmark Properties 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 Company has pledged equity securities with a market value of \$475,824 (2010: Nil) 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 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). 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, the insurance of the aforementioned buildings have also

	<u>2011</u>	<u>2010</u>
Current portion of loan	96,000	118,198
Non-current portion of loan	1,379,367	1,494,582
	<b><u>\$1,475,367</u></b>	<b><u>\$ 1,612,780</u></b>

DECEMBER 31, 2011

**13. BANK LOAN, 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 11% (2010: 0% to 11%) per annum and which are collateralized by securities which are owned by certain customers. Such collateral and securities are not reflected in the consolidated statement of financial position, as explained in Note 15.

**14. SHARE CAPITAL****(a) Ordinary shares**

At December 31, 2011 and 2010, 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****Liability**

The Company has issued 1,000,000 preference shares of \$1 each, which bear interest at the rate of 8% per annum, which is classified as a liability.

**Equity**

During 2011, Alliance issued a further \$3,000,000 non-voting preference shares at an interest rate of 3.00% p.a in lieu of funds due to a customer. All preference shares are redeemable at the discretion of the issuer. Dividend payout on all preference shares is also at the discretion of the issuer. Consequently, all preference shares issued by Alliance are recognized as equity.

**15. ASSETS UNDER ADMINISTRATION**

The assets and liabilities of clients under administration by the Company in a custodian, advisory or nominee capacity are not reflected in these consolidated financial statements, except for those assets and liabilities that relate to the brokerage services provided by the Company. At December 31, 2011, assets under administration totalled approximately \$140 million (2010: \$171 million).

DECEMBER 31, 2011

**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. Mr. Reno Brown, who is a director of the Company, is also a Director and Chairman 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 \$20,000 per annum (2010: \$20,000) by the Company. In addition, fees of \$2,500 per annum (2010: \$2,500), \$3,000 per annum (2010: \$3,000) and \$8,000 (2010: \$8,000) 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, 2011 amounted to \$255,000 (2010: \$255,000).

**19. NET LOSS PER SHARE**

The calculation of net loss per share is based on the net loss for the year of (\$2,501,534 [2010: (\$236,372)]) and on the weighted average number of ordinary shares outstanding during the year of 4,959,111 (2010: 4,959,111).

**BENCHMARK (BAHAMAS) LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**



**20. CONTINGENT LIABILITY**

A subsidiary of the Company was named as a defendant in an action by the subsidiary's broker that involves a claim for \$278,283 from the subsidiary.

The subsidiary entered a defense and counterclaim of conspiracy against the plaintiff.

Although the ultimate outcome of the case 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 Company. Accordingly, no provision has been made in these financial statements for any potential losses that might result from this claim.

**21. RELATED PARTY BALANCES AND TRANSACTIONS**

At December 31, 2011 and 2010 related party balances and transactions comprise:

	<u>2011</u>	<u>2010</u>
	\$	\$
Accounts payable and accrued expenses	16,000	26,000
Directors' and officers' fees	40,500	37,500
Corporate management fee	33,500	33,500
Investment advisor fee	100,000	100,000
Salaries	255,000	255,000

PKF

## 22. 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 to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's customer advances, other receivables and investments in securities.

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, other receivables and investments. Recoverability of each of these assets is assessed individually, and specific provision is made as required.

DECEMBER 31, 2011

## 22. FINANCIAL RISK MANAGEMENT (Continued)

## Credit Risk (Continued)

*Exposure to credit risk:*

	CUSTOMER ADVANCES		INVESTMENTS IN SECURITIES	
	2011	2010	2011	2010
Carrying amount	40,387,985	40,692,956	8,039,305	9,259,469
<i>Past due but not impaired</i>				
Low-fair risk	40,387,985	40,692,956	-	-
Carrying amount	40,387,985	40,692,956	-	-
<i>Neither past due nor impaired</i>				
Low-fair risk	-	-	8,039,305	9,259,469
Carrying amount	-	-	8,039,305	9,259,469
<b>Total carrying amount</b>	<b>\$ 40,387,985</b>	<b>\$ 40,692,956</b>	<b>\$ 8,039,305</b>	<b>\$ 9,259,469</b>

## CUSTOMER ADVANCES

	2011	2010
Collateral held against past due but not impaired	<b>\$ 49,023,644</b>	<b>\$ 49,028,615</b>

## 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.

## 22. FINANCIAL RISK MANAGEMENT (Continued)

## Liquidity risk (Continued)

	0 - 3 months	3 months - 1 year	Over 1 year	Total
	\$	\$	\$	\$
<b>2011</b>				
<i>Financial Liabilities</i>				
Bank overdraft	448,220	-	-	448,220
Accounts payable & accruals	214,125	-	-	214,125
Due to customers	-	15,000,000	33,699,703	48,699,703
Investments - (sold short)	-	1,368,600	-	1,368,600
Current portion of bank loan	24,000	72,000	-	96,000
Preference shares	-	-	1,000,000	1,000,000
Non-current portion bank loan	-	-	1,379,367	1,379,367
	<u>\$ 686,345</u>	<u>\$ 16,440,600</u>	<u>\$ 36,079,070</u>	<u>\$ 53,206,015</u>
<b>2010</b>				
<i>Financial Liabilities</i>				
Bank overdraft	456,769	-	-	456,769
Accounts payable & accruals	81,287	-	-	81,287
Due to customers	-	15,000,000	36,572,709	51,572,709
Investments - (sold short)	-	1,352,700	-	1,352,700
Current portion of bank loan	29,549	88,649	-	118,198
Preference shares	-	-	1,000,000	1,000,000
Non-current portion bank loan	-	-	1,494,582	1,494,582
	<u>\$ 567,605</u>	<u>\$ 16,441,349</u>	<u>\$ 39,067,291</u>	<u>\$ 56,076,245</u>

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**(a) Currency risk**

The Group is exposed to currency risk on sales and purchases of securities that are denominated in a currency other than the functional currency of the Group entities. Currency risk is managed by trading in securities that are denominated in hard currencies.

DECEMBER 31, 2011

## 22. FINANCIAL RISK MANAGEMENT (Continued)

## (b) Other market price risk

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are monitored by the Board of Directors.

## 23. 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 investing in securities 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, such as the market value of the shares. In order to maintain the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## 24. COMMITMENTS

On February 13, 2004, a subsidiary of the Company entered into a commercial lease agreement for office space with the British Colonial Development Company Limited. This noncancelable lease was effective April 1, 2004 and is for a 5 year term which expired on March 31, 2009 and was renewed for a further 5 year term.

Future minimum lease payments under this agreement are as follows:

	<u>2011</u>	<u>2010</u>
Less than one year	42,060	42,060
Between one to five years	52,575	94,635
	<u>\$ 94,635</u>	<u>\$ 136,695</u>

DECEMBER 31, 2011

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 3(i):

	Loans and receivables	Fair value through profit or loss	Financial instruments measured at amortized cost	Available for sale	Total
	\$		\$	\$	\$
<b>2011</b>					
<b>Financial assets</b>					
Cash	1,893,824	-	-	-	1,893,824
Due from brokers	1,965,514	-	-	-	1,965,514
Customer advances	40,387,985	-	-	-	40,387,985
Dividends receivable	22,930	-	-	-	22,930
Loan receivable	10,558	-	-	-	10,558
Investments in securities	-	6,670,705	-	-	6,670,705
Long-term investment	-	75,000	-	-	75,000
Note receivable	300,000	-	-	-	300,000
Other receivables	425,369	-	-	-	425,369
	<b>\$ 45,006,180</b>	<b>\$ 6,745,705</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,751,885</b>
<b>Financial liabilities</b>					
Bank overdraft	448,220	-	-	-	448,220
Accounts payable & Accruals	-	-	214,125	-	214,125
Due to customers	-	-	48,699,703	-	48,699,703
Investments (sold short)	-	1,368,600	-	-	1,368,600
Current portion of bank loan	96,000	-	-	-	96,000
Non-current portion bank loan	1,379,367	-	-	-	1,379,367
Preference shares	-	-	1,000,000	-	1,000,000
	<b>\$ 1,923,587</b>	<b>\$ 1,368,600</b>	<b>\$ 49,913,828</b>	<b>\$ -</b>	<b>\$ 53,206,015</b>

DECEMBER 31, 2011



## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Loans and receivables	Fair value through profit or loss	Financial instruments measured at amortized cost	Available for sale	Total
	\$		\$	\$	\$
<b>2010</b>					
<b><u>Financial assets</u></b>					
Cash	2,366,097	-	-	-	2,366,097
Due from brokers	2,214,403	-	-	-	2,214,403
Customer advances	40,692,956	-	-	-	40,692,956
Dividends receivable	30,573	-	-	-	30,573
Loan receivable	10,000	-	-	-	10,000
Investments in securities	-	7,906,769	-	-	7,906,769
Long-term note receivable	300,000	-	-	-	300,000
Other receivables	617,256	-	-	-	617,256
	<u>\$ 46,231,285</u>	<u>\$ 7,906,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,138,054</u>
<b><u>Financial liabilities</u></b>					
Bank overdraft	456,769	-	-	-	456,769
Accounts payable & accruals	-	-	81,287	-	81,287
Due to customers	-	-	51,572,709	-	51,572,709
Investments (sold short)	1,352,700	-	-	-	1,352,700
Current portion of bank loan	118,198	-	-	-	118,198
Non-current portion of bank loan	1,494,582	-	-	-	1,494,582
Preference shares	-	-	1,000,000	-	1,000,000
	<u>\$ 3,422,249</u>	<u>\$ -</u>	<u>\$ 52,653,996</u>	<u>\$ -</u>	<u>\$ 56,076,245</u>

## 26. COMPARATIVE FIGURES

The comparative figures in the consolidated statement of financial position have been reclassified consistent with term to maturity to conform to the consolidated financial statement presentation in the current year.