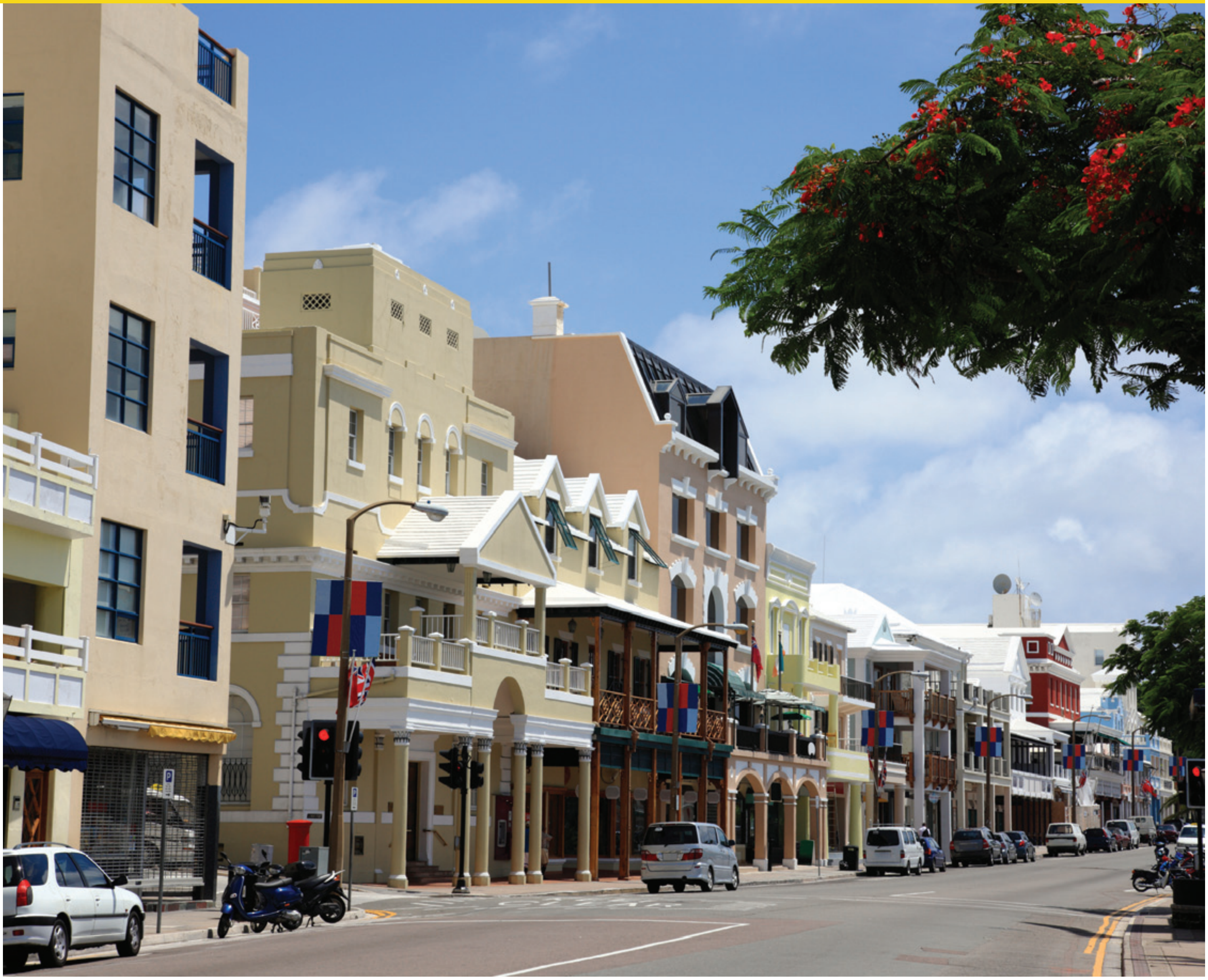
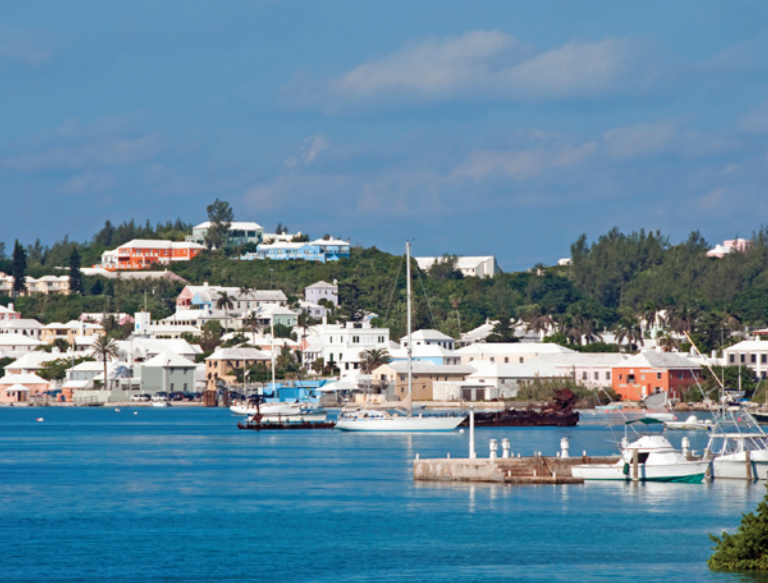
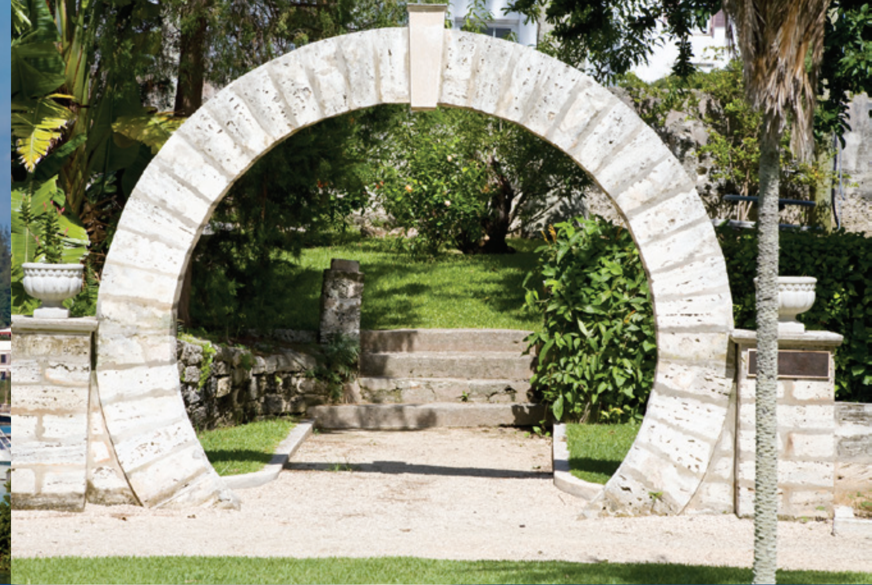
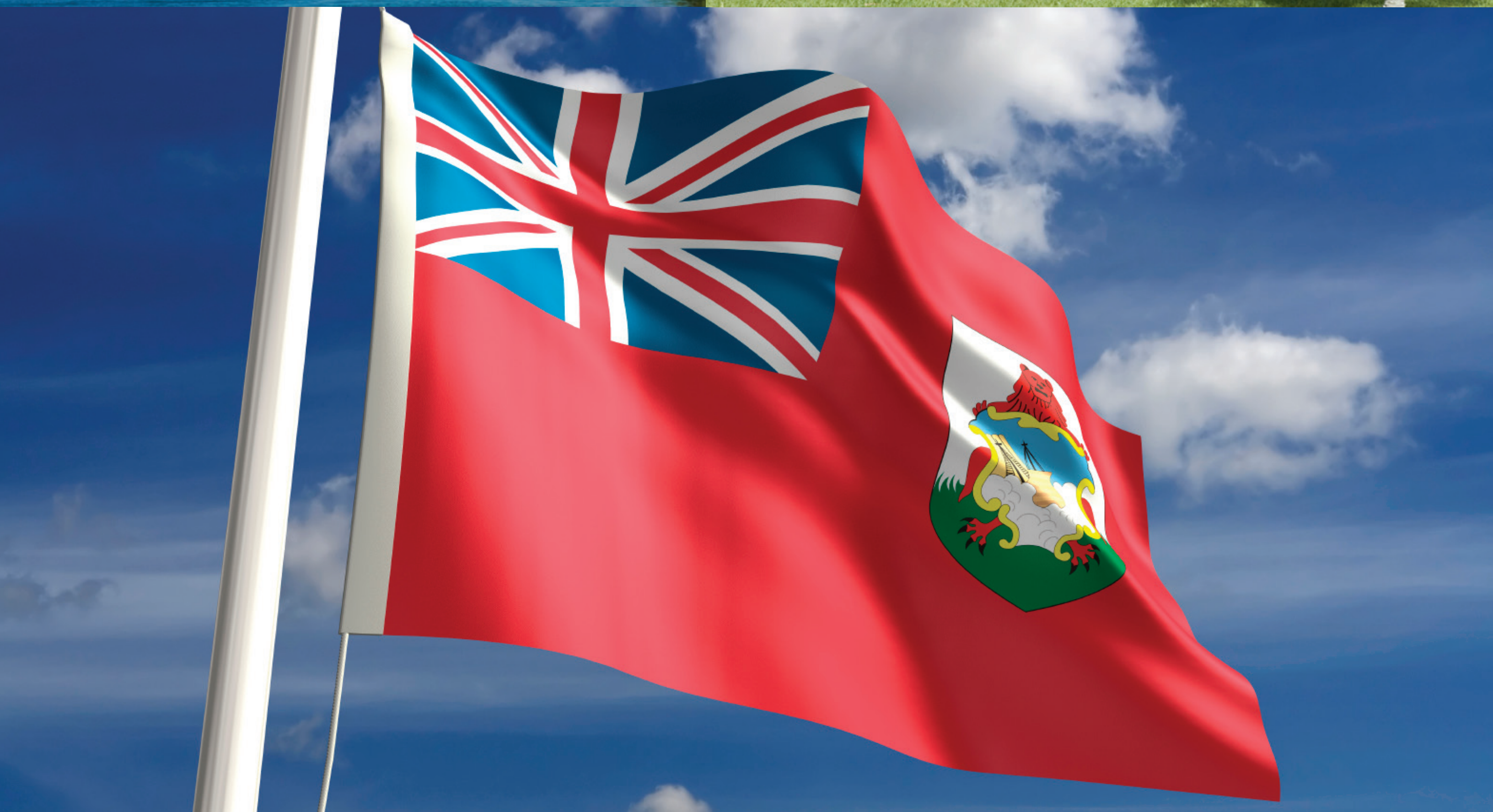
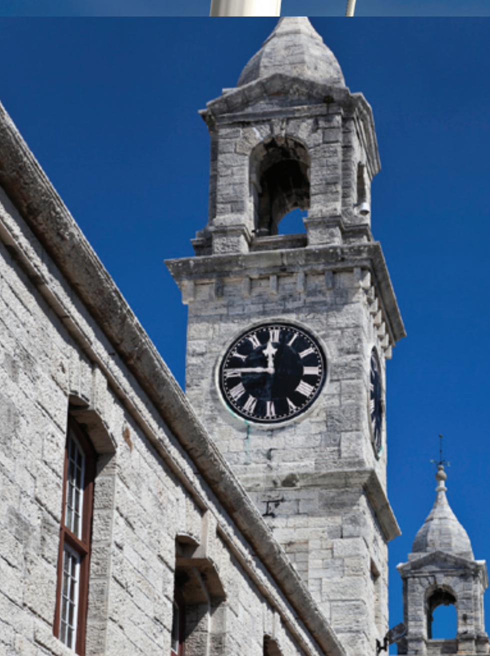
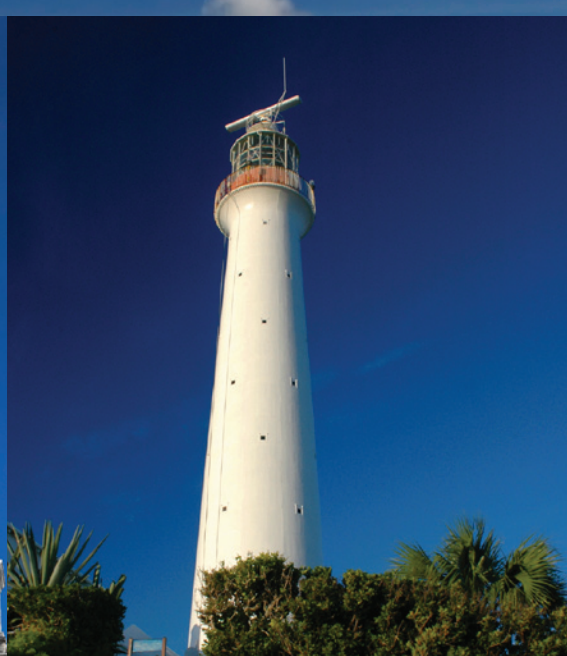
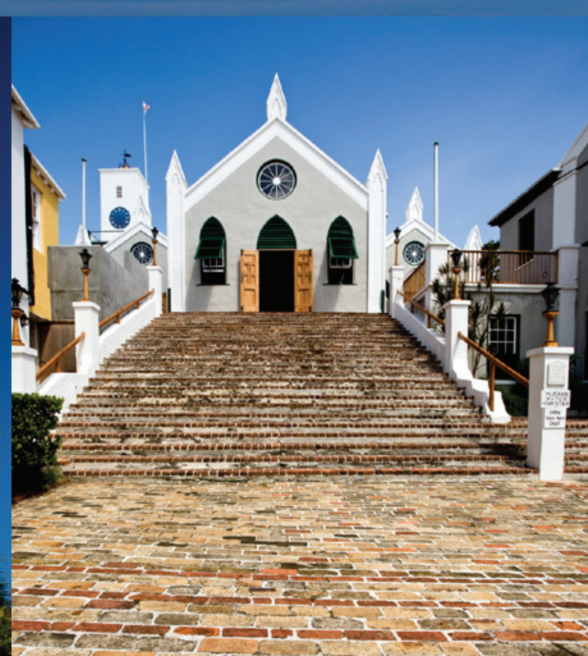


2013 Annual Report

BERMUDA FIRST INVESTMENT COMPANY

BERMUDA FIRST INVESTMENT COMPANY LIMITED

- Established October 2012
- Listed on the BSX October 29, 2012
- Gross assets of BD$ 37.3 million

BFIC's principal objective is to maximise shareholder value as measured by total return by investing in BSX listed companies.

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Financial Calendar
Annual General Meeting December 6, 2013

Chairman's Letter
November 20, 2013

It is with pleasure that I write to you as Chairman of Bermuda First Investment Company Limited ("BFIC" or the "Company") and to present the results for the period ended June 30, 2013, the Company's first period end results as a listed company.

The Company was incorporated in October 2012 as an investment holding company with the stated strategy to invest principally in local Bermudian listed companies. BFIC offers its shareholders the opportunity to have access to a number of investments across different sectors whilst limiting the risk associated with holding the individual investments directly.

With the relaxation of the 60/40 ownership rule, BFIC is able to make investments in a number of local listed Bermudian companies. In October 2012, the Company acquired holdings in listed Bermudian companies from its founder shareholders, Utilico Investments Limited ("Utilico"), Bermuda Commercial Bank Limited and Eclectic Investment Company Limited in exchange for the issue of a combination of shares in the Company and unsecured loan notes. On October 29, 2012, BFIC's shares and loan notes were listed on the Bermuda Stock Exchange ("BSX").

On June 3, 2013, the Company changed its year end to June 30 so as to have a co-terminus year end with its major shareholder, Utilico.

During the year the Company introduced a dividend reinvestment plan for its shareholders and also issued warrants to all shareholders on a one for three basis (the warrants have an exercise price of $10 and expire on June 30, 2014). Both measures are intended to benefit all stakeholders by giving the Company flexibility and increased funding so that it can move forward with its investment objectives and generate shareholder value.

Financials

The Company's portfolio of investments has increased in value during the period to June 30, 2013. Companies such as the Bank of N.T Butterfield & Son Limited ("BNTB") and Argus Group Limited ("Argus") reinstated their dividend payments which we welcome. The Company's major investments as at June 30, 2013 were its holdings in KeyTech Limited ("KeyTech") ($21.3 million) and Ascendant Group Limited ("Ascendant") ($12.1 million) and both companies maintained their dividends during the period under review in the face of economic headwinds. Consequently, the Company is able to report a strong income stream during the financial period.

Income Statement

For the period ended June 30, 2013, the Company recorded net income of approximately $2.4 million. The Company generated total income of $3.3 million, split between $1.9 million of dividend income from its investments and $1.4 million from unrealised gains on the Company's investments.

The Company incurred total expenses of approximately $0.9 million, the bulk of which are attributed to the interest on the Company's loan notes ($0.6 million). ICM Limited, the Company's investment manager was paid an investment management fee of $127k for the period. There were a number of one-off expenses relating to the Company's listing on the BSX which totalled approximately $70k.

The Company's earnings per share for the period was $1.39.

Balance Sheet

The Company accounts for its investments in accordance with International Financial Reporting Standards ("IFRS"). The Company's assets, which are its investments in Bermuda listed companies, are valued on the average of the bid and offer prices.

As at June 30, 2013 the Company had total assets of $37.3 million and net assets of $19.2 million. The investments were valued at fair value and totaled $36.7 million and the Company had accrued dividends of $0.6 million, all of which were subsequently received post year end. The investment manager's report details the Company's investments and performance to date. Post the year end, the Company increased its holding in KeyTech in September 2013 and is now interested in marginally more than 30% of KeyTech's issued share capital.

As at June 30, 2013 the Company had total liabilities of $18.1 million. The Company's major liability is its $17.1 million 2019 unsecured loan notes. The loan notes were issued to the Company's founder shareholders in October 2012 and they carried an initial coupon of 5%.

With effect from July 1, 2013 the Board approved an increase in the loan note coupon to 6%.

The Company's net asset value per share as at June 30, 2013 was $11.19.

Post the period end, the Company entered into a BM$5 million loan facility (the "Facility") with the BNTB. The Facility was drawn down in its entirety on September 27, 2013. The Facility carries a rate of BNTB's base rate plus 175 bps.

Dividends
Post the period end the Company paid an interim dividend payment of $0.20 a share to its shareholders.

With the change of the Company's year end from September 30 to June 30, the Board also paid a final dividend to shareholders for the period ended June 30, 2013 of $0.20 per share on October 25, 2013. The total dividend paid to shareholders for the period ended June 30, 2013 was $0.40 a share presenting an annualised yield of approximately 5.3%.

Summary
We continue to believe that listed companies in Bermuda remain significantly undervalued. However, we are conscious that Bermuda is still suffering from the fallout of the global financial crisis and that 2013 is likely to be the fourth year of negative GDP growth in Bermuda. With the change of Government in December 2012, and the subsequent steps to improve relations with the international business community, we are hopeful that Bermuda's decline will be turned around and that coupled with the improving global macroeconomic conditions Bermuda will be able to return to growth. We do recognise that any improvement in Bermuda and the performance of our investments is likely to be over an extended period of time rather than in the short term.

A return to growth will be extremely important for our two key investments, KeyTech and Ascendant, both of which have been severely impacted by the reduction in Bermuda's population over the last four years. Keytech in particular has taken steps to reduce its cost base and should Bermuda start to grow then it should be well placed to benefit.

It is important that those companies that operate in a regulated sector, such as KeyTech and Ascendant, have the support of all stakeholders and are able to operate in a stable environment with a clear and transparent regulatory framework. This is the key to their continued operating performance and sustained capital investment. Such a framework will be to the benefit to all stakeholders including shareholders who have for a number of years suffered diminishing returns.

We are pleased with the Company's maiden performance and its results during this period and look forward with cautious optimism.

J. Michael Collier
Chairman

Forward Looking Statements
This annual report may contain "forward looking statements" with respect to the financial condition, results of operations and business of the Company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward looking statements. The forward looking statements are based on the Directors' current views and on information known to them at the date of this report. Nothing in this publication should be construed as a profit forecast.

Investment Approach

BFIC seeks to invest in undervalued Bermudian companies listed on the Bermuda Stock Exchange ("BSX") . The Company will identify and invest in opportunities where the underlying value is not reflected in the market or purchase price. The perceived undervaluation may arise from a number of factors including the limited number of potential buyers of the shares resulting in illiquidity in the BSX and the macroeconomic situation in Bermuda. BFIC's aim is to maximize total returns for shareholders.

The Company has the flexibility to invest in shares, bonds, convertibles and other securities, however the majority of investments will be in shares. BFIC may invest in other investment companies or vehicles, including any managed by the investment manager where such investment is complementary to the Company's investment objective and policy.

BFIC may acquire majority or minority positions in its target investments. The Company aims to maximise value for shareholders by holding a concentrated portfolio of investments. The portfolio will consist of minority positions, but BFIC will consider opportunities which will maximise its ability to contribute as a proactive investor with a view to actively extracting value for both its investors and investors in the underlying investee companies.

The Company intends to have a mid to long term investment horizon and does not expect to be trading its investments on a regular basis. The Company intends to be supportive of its investments and maintain regular dialogue with the management of its investments and where required provide additional capital to ensure that the investments can develop and grow.

BFIC's focus is on increasing its investments in Bermudian companies listed on the BSX where the Company and the Directors believe fair value is greater than market value. BFIC aims to work with the directors and senior management of its investee companies to increase the long term value of these investments and to introduce shareholder friendly initiatives so that all shareholders can benefit.

Investment Manager's Report

The macroeconomic environment in Bermuda continues to be challenging. However, in the developed world, the US is showing increasing signs of growth, the UK is stabilising and even Europe appears to have bottomed. Japan commenced a significant quantitative easing exercise in 2013 in order to kick start growth after decades of stagnation and the predicted slowdown in China appears to be more of a 'soft' than a 'hard' landing.

Against this global backdrop it is disappointing that Bermuda continues to struggle. We expect that 2013 will be the fourth consecutive year of negative GDP growth driven principally by the significant reduction in the population caused primarily by the departure of employees in the international business sector. It is forecast that growth will be minimal in 2014 meaning that the performance of the Company's investments will continue to be affected by issues outside of their control.

However, we do believe that as the result of significant cost cutting exercises a number of BFIC's investments will benefit when growth returns to Bermuda. BFIC's investment focus will continue to be on Bermudian companies listed on the BSX. All of the Company's investments are currently dividend paying and this is reflected in the total dividend income of $1.9 million for the period ended June 30, 2013 which represents a yield of 5.2%.

Portfolio

BFIC's net assets as at June 30, 2013 were $19.2 million. The investments in KeyTech and Ascendant accounted for 91.4% of the Company's portfolio as at June 30, 2013. The rest of the portfolio consists of investments in other Bermudian listed companies on the BSX.

KeyTech provides residential and corporate customers with Voice, Internet & Data, Directory and Support and Professional services. It is the principal investor in Bermuda's communications infrastructure, having invested over $100 million within the last 5 years.

KeyTech's share price increased by 8.4% during the financial period. This reflected the improved earnings that the Company generated in the year ended March 31, 2013. Profit increased from $7.2 million in 2012 to $8.3 million, driven by a significant reduction in operating expenses ($12.4 million). However, the decrease in revenue from $80.6 million in 2012 to $73.9 million clearly highlights the difficulties facing companies in Bermuda. Future profit growth is likely to have to be driven by revenue growth as KeyTech has reduced its overheads to a sustainable level going forward.

Dividends for the year ended March 31, 2013 totaled $0.48 per share and its basic and fully diluted earnings per common share from continuing operations for the year were $0.572.

We believe that the benefits of the transactions that KeyTech has completed in the last 12 – 18 months, namely the merger of its subsidiary M3 Wireless with Cellular One to create CellOne (Bermuda's largest provider of cellular services) and the merger of its ISP subsidiary Logic with North Rock will start to come through in the current financial year. As well as its core businesses, we believe KeyTech's investments in Cablevision and Quo Vadis are significantly undervalued.

During the financial period BFIC increased its holding in KeyTech by 32,300 shares. Post the period end the Company increased its holding in KeyTech to marginally more than 30% KeyTech's issued share capital.

Ascendant is the parent company of Bermuda Electric Light Company Limited ("BELCO"), Bermuda Gas & Utility Company Limited, AG Holdings Limited, which includes Air Care Limited, iFM Limited, iEPC Limited, PureNERGY Renewables Ltd., InVenture Limited, Ascendant Properties Limited and BTS Limited. Ascendant's share price decreased by 5.1% during the period under review.

Consolidated net earnings decreased $3 million to $1.8 million for the six months ended June 30, 2013. Investment in iFM Limited (60% owned by Ascendant) and Air Care Limited (now 85% owned by Ascendant) generated a $1.6 million increase in earnings compared to 2012, but these were offset by significant declines in propane gas sales ($1.2 million) and increased operating costs.

BELCO's electricity sales were unchanged at $66.9 million, driven mainly by an increase in tariffs. Commercial sales declined due to the ongoing economic issues in Bermuda which have materially affected both local and international businesses. This is the fourth consecutive year that Bermuda has seen reduced kWh consumption on the island. The key for the company going forward will be to demonstrate a clear strategy supported by all stakeholders which will include a coherent and fair regulatory environment and transparency over how the strategy will be funded. However, there is no doubt that even though the second half of 2013 will be seasonally better than the first half, Ascendant will continue to face challenges due to the economic environment in Bermuda.

During the period BFIC increased its holding in Ascendant by 28,900 shares.

Argus provides a broad range of insurance, retirement and financial services. Its share price increased 27.3% during the financial period. Argus reported earnings of $12.6 million for the year ended March 31, 2013 compared to $1.7 million in the prior year. Operating expenses increased by 12.8% over the prior year due to investment in the information systems infrastructure and the strengthening of the management team. Shareholders' equity was $95.5 million, representing an increase from $83.8 million one year ago. Earnings per share for the year were $0.60 compared to $0.08 in 2012. As at March 31, 2013, total assets including segregated fund assets stood at $1.9 billion. The company also reinstated the dividend, 6 cents per share, after a number of years without paying a dividend.

Investment income and share of earnings of associates provided a positive result of $16.5 million, an increase of $18.6 million over the prior year. The equity portfolio contributed $5.8 million through net unrealised gains and dividend income whilst the bond portfolio contributed $12 million primarily through interest income and net realised gains during the year. Loan interest decreased in the year as the loan taken out to fund the construction of 14 Wesley Street was fully repaid during the year. This eliminated all debt from the Argus balance sheet.

It is pleasing to note the reinstatement of the dividend and the improved operating results. However, it is clear that the operating performance is facing headwinds relating to market conditions in Bermuda and this has in part been masked by strong returns from its investment portfolio. The company is however in a much stronger financial position than it was 12 months ago with no debt and it appears that the company has impaired all of its historic material investments.

During the financial period BFIC increased its holding in Argus by 37,300 shares.

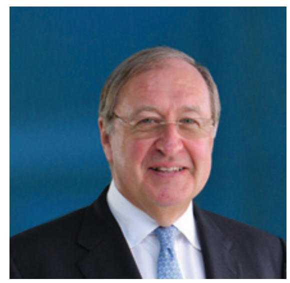
Other Investments

The Company's other investments include small holdings in the Bank of N.T. Butterfield & Son Limited, Bermuda Aviation Services Limited, West Hamilton Holdings Limited and Watlington Waterworks Limited. Post the year end the Company disposed of its holdings in BF&M Limited and Bermuda Press Holdings Limited at a profit.

Directors

J. Michael Collier - Chairman
Mr. Collier, a career banker, spent 33 years with the Bank of N.T. Butterfield & Son Limited and retired in 1994 as President and Chief Executive Officer. He is currently Chairman of Bermuda Commercial Bank Limited, West Hamilton Holdings Limited and Deputy Chairman of Bermuda National Limited. He is also a non-executive director of RESIMAC Limited. He was formerly Chairman of Ascendant Group Limited.

Gavin Arton
Mr. Arton is a former senior executive of XL Capital Limited, previously serving as an executive of American International Group Inc. and CIGNA Corporation in the U.S. He is currently Chairman of BF&M Limited and a non-executive director of a number of Bermuda based companies, including Ascendant Group Limited, Bermuda Commercial Bank Limited, Bermuda Press (Holdings) limited, Watlington Waterworks Limited and Compass Capital Partners Limited.



Alasdair Younie
Mr. Younie is a director of ICM Limited and a qualified accountant who has previously worked in corporate finance at Arbuthnot Securities Limited and at PricewaterhouseCoopers in London. He is a director of Ascendant Group Limited, Bermuda National Limited and West Hamilton Holdings Limited and is a member of the Institute of Chartered Accountants in England and Wales.

Investment Team

Investment Policy
The Directors are responsible for the Company's investment policy and have overall responsibility for the Company's day-to-day activities. The Company has, however, entered into an Investment Management Agreement with ICM Limited ("ICM") under which ICM provides investment management services to the Company. ICM is primarily responsible for the Company's investments.

ICM is a Bermuda based fund manager and corporate finance adviser. ICM is the investment manager to the Company and is also the investment manager to Utilico Investments Limited and Utilico Emerging Markets Limited, both listed on the London Stock Exchange and investment adviser to Bermuda Commercial Bank Limited and the BSX listed Bermuda National Limited.

Duncan Saville
Mr. Saville is a chartered accountant with over 30 years' experience in the securities industry and is a director of ICM. He is an experienced non-executive director and was formerly a non-executive director of Utilico Investment Trust plc and a number of companies in both the water and airport sectors. He is a director of Infratil Limited and West Hamilton Holdings Limited.

Alasdair Younie
Mr. Younie is a director of ICM Limited and a qualified accountant who has previously worked in corporate finance at Arbuthnot Securities Limited and at PricewaterhouseCoopers in London. He is a director of Ascendant Group Limited, Bermuda National Limited and West Hamilton Holdings Limited and is a member of the Institute of Chartered Accountants in England and Wales.

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Report of Independent Auditors

The Shareholders and Board of Directors
Bermuda First Investment Company Limited

We have audited the accompanying financial statements of Bermuda First Investment Company Limited, which comprise the statement of financial position as at June 30, 2013, and the statement of changes in shareholders' equity, the statement of comprehensive income, and the statement of cash flows for the period from October 9, 2012 (commencement of operations) to June 30, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

ERNST & YOUNG

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bermuda First Investment Company Limited as at June 30, 2013, and of its financial performance and its cash flows for the period from October 9, 2012 (commencement of operations) to June 30, 2013, in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

September 18, 2013

Statement of Financial Position

(Expressed in Bermuda Dollars)

As at June 30, 2013

Assets		
Investments – at fair value through profit or loss (Note 3)	$	36,686,945
Dividends receivable		627,820
Prepayments and other assets		3,498
Total assets		37,318,263
Liabilities		
Bank overdraft (Note 2)		351,797
Dividends payable (Note 8)		342,844
Interest payable (Note 9)		214,278
Accounts payable and accrued expenses (Note 4)		87,640
Loan notes (Notes 4 and 9)		17,142,200
Total liabilities		18,138,759
Shareholders' Equity		
Share capital (Note 6)		17,142
Share premium		17,125,068
Retained earnings		2,037,294
Total equity		19,179,504
Total liabilities and shareholders' equity	$	37,318,263

See accompanying notes.

Statement of Changes in Shareholders' Equity

(Expressed in Bermuda Dollars)

Period From October 9, 2012 (commencement of operations) to June 30, 2013

Balance at beginning of period	$	–
Issue of share capital (1,714,221 shares, $0.01 per share) (Note 6)		17,142
Share premium on issuance of share capital		17,125,068
Dividend (Note 8)		(342,844)
Net income for the period		2,380,138
Balance at end of period	$	19,179,504

See accompanying notes.

Statement of Comprehensive Income

(Expressed in Bermuda Dollars)

Period From October 9, 2012 (commencement of operations) to June 30, 2013

Income		
Dividend income	$	1,893,210
Net change in unrealised gains on investments – at fair value through profit or loss		1,373,686
		3,266,896
Expenses		
Interest expense (Note 9)		604,739
Management fee (Note 4)		127,461
Legal fees		49,256
Audit fees		27,500
Directors' fees		27,000
BSX listing fees		21,600
Custodian fees (Note 4)		11,250
Administration fees (Note 4)		7,500
Corporate secretarial fees (Note 4)		2,625
Listing sponsor fees (Note 4)		2,500
Other operating expenses		5,327
		886,758
Net income for the period	$	2,380,138
Earnings per share		
Basic (Note 7)	$	1.39
Fully diluted (Note 7)	$	1.04

See accompanying notes.

Statement of Cash Flows

(Expressed in Bermuda Dollars)

Period From October 9, 2012 (commencement of operations) to June 30, 2013

Operating activities		
Net income for the period	$	2,380,138
Adjustment to reconcile net income for the period to net cash provided by operating activities:		
Purchases of investments		(1,028,849)
Net change in unrealised gains on investments – at fair value through profit or loss		(1,373,686)
Net changes in operating assets and liabilities:		
Dividends receivable		(627,820)
Prepayments and other assets		(3,498)
Interest payable		214,278
Accounts payable and accrued expenses		87,640
Net cash used in operating activities		(351,797)
Net change in cash and cash equivalents		(351,797)
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period	$	(351,797)
Cash and cash equivalents consist of:		
Bank overdraft	$	(351,797)
Supplemental cash flow information		
Interest paid	$	390,461
Dividends received	$	1,265,390
Non-cash transactions		
Exchange of investments for loan notes and share capital (Notes 6 and 9)	$	34,284,410

See accompanying notes.

Notes to Financial Statements

(Expressed in Bermuda Dollars)
June 30, 2013

1. Corporate Information

Bermuda First Investment Company Limited (the “Company”), formerly known as BermudaSX Investments Company Limited, was incorporated as an exempted company under the laws of Bermuda on September 13, 2012. The Company changed its name to Bermuda First Investment Company Limited on September 28, 2012. The Company commenced operations on October 9, 2012. Its registered address is at Bermuda Commercial Bank Building, 19 Par-La-Ville Road, Hamilton HM 11, Bermuda.

The Company carries on business as an exempt investment holding company with the objective of maximising shareholder value as measured by total return which includes both dividends received from its investments and capital appreciation of those assets. To achieve its investment objective, the Company invests in Bermuda companies listed on the Bermuda Stock Exchange (“BSX”). The Company’s investment manager is ICM Limited, a Bermuda-based fund manager and corporate finance advisor.

The Company’s shares and loan notes are both listed on the BSX.

The financial statements of the Company for the period from October 9, 2012 to June 30, 2013, were authorised for issue in accordance with a resolution of the Board of Directors (the “Board”) on September 18, 2013.

2. Summary of Significant Accounting Policies

Basis of Preparation

These financial statements are prepared under the historical cost convention modified to include the fair valuation of financial assets and liabilities. These financial statements, except for cash flow information, are prepared using the accrual basis of accounting.

These financial statements are presented in Bermuda dollars and all values are rounded to the nearest dollar.

Statement of Compliance

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

The following are the significant accounting and reporting policies adopted by the Company:

Use of Accounting Judgments, Estimates, and Assumptions

The preparation of financial statements in accordance with IFRS, requires management to make judgments, estimates, and assumptions that affect the reported amounts and disclosures made in these financial statements and accompanying notes. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in the future.

Financial Assets and Liabilities at Fair Value Through Profit or Loss

(a) Classification

This category is comprised of investments – at fair value through profit or loss and is sub-divided into: (i) financial assets and liabilities held for trading and (ii) financial instruments designated by management at fair value through profit or loss at initial recognition. Financial assets and liabilities held for trading are acquired or incurred principally for the purpose of selling and/or repurchasing in the short term. This category includes equity instruments.

Financial instruments are designated by management at fair value through profit or loss at initial recognition on the basis that they are a part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company, as set out in the Company’s prospectus.

(b) Recognition

The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

(c) Initial Measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

(d) Subsequent Measurement
After initial measurement, the Company measures financial instruments, which are classified as at fair value through profit or loss, at their fair values. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gains or losses on investments – at fair value through profit or loss in the statement of comprehensive income.

(e) Derecognition
Financial assets are derecognised when the Company has transferred substantially all the risks and rewards of those assets or the right to receive those assets has expired.

Financial liabilities are derecognised when the obligations of the Company under those liabilities are discharged, cancelled, or expire.

Impairment of Financial Assets-Other Than Investments at Fair Value Through Profit or Loss
The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event), and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

If there is objective evidence that an impairment loss has been incurred, the financial asset is written down to its realisable value, with the impairment loss being recognised in the statement of comprehensive income. Any subsequent increase in the fair value of such assets that can be objectively related to an event that occurred after the impairment was recognised will result in a reversal of the impairment loss in the period in which the event occurs.

Investment Transactions and Valuation
Investment transactions are accounted for on a trade date basis. Realised gains and losses are calculated on a first in-first out ("FIFO") basis. Assets are initially recognised at their purchase price. Both realised and changes in unrealised gains and losses, net of foreign exchange, are included in the statement of comprehensive income.

The Company follows the below valuation methodology:

- The fair value of financial instruments traded in active markets (such as publicly trading debt instruments and derivatives) at the reporting date, is based on an average of the bid and ask from quoted market prices without any deduction for transaction costs
- If the ask price is not available, the bid price is used
- If the bid price is not available, the last trade price is used

The Company's valuation methodology is in accordance with IFRS 13, Fair Value Measurement, which the Company early adopted during the period.

The Company may from time to time, invest in financial instruments that are not traded in an active market. The fair value of these financial instruments is determined based on observable inputs, such as current interest or currency rates, or in case of no observable inputs, fair value is determined using appropriate valuation techniques. Fair values of such investments may differ from the values that would have been used had a ready market for these investments existed, and the differences could be material.

Translation of Foreign Currencies
Functional and Presentational Currency
The primary objective of the Company is to generate returns in Bermuda dollars, its capital-raising currency. The liquidity of the Company is managed on a day-to-day basis in Bermuda dollars. The Company's performance is also evaluated in Bermuda dollars.

Therefore, as Bermuda dollars is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions, management has assessed that the Company's functional and presentational currency is Bermuda dollars.

Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities, denominated in foreign currencies, are recognised in the statement of comprehensive income as part of net change in unrealised gains on investments-at fair value through profit or loss.

Cash and Cash Equivalents
Cash and cash equivalents in the statement of cash flows comprise of bank overdraft, cash at bank, including any demand and term deposits, which are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value, and have original maturities of three months or less.

At June 30, 2013, the net amount included a bank overdraft of $351,807 in the statement of financial position, which was held with Bermuda Commercial Bank Limited ("BCB" or the "Custodian") where the Company had a $500,000, 4.50% interest rate, unsecured overdraft facility expiring on June 5, 2014.

Dividend Distribution
Dividend distributions are at the discretion of the Company. A dividend distribution to the Company's shareholders is accounted for as a deduction from the Company's distributable income to shareholders. A proposed dividend is recognised as a liability in the period in which it is declared by the Board.

Revenue Recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Basic and Fully Diluted Earnings Per Share
Basic earnings per share is calculated by dividing the net earnings for the period attributable to the Fund's shareholders by the number of common shares outstanding.

Diluted earnings per share is calculated by dividing the net earnings for the period by the weighted average number of shares during the period plus the weighted average number of shares that would have been issued on the conversion of all the dilutive potential shares into shares during the period.

Dividend Income
Dividend income is recognised when the Company's right to receive the payment is established.

Interest Income and Expense
Interest income and expense are recognised in the statement of comprehensive income on an accrual basis, in line with the contractual terms, calculated using the effective interest ("EIR") method.

Expenses
All expenses are recognised in the statement of comprehensive income on an accrual basis.

New Standards, Interpretations, Amendments to Published Standards Relevant to the Company
The following new standards and amendments to standards are relevant but not yet effective for the Company:

IAS 32	Financial Instruments – Presentation
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
IFRS 9	Financial Instruments – Classification and Measurement

Standards Expected to Have a Significant Effect on the Financial Statements
IFRS 9 – Financial Instruments – Classification and Measurement
In November 2009, the IASB issued IFRS 9, Financial Instruments, which introduced new requirements for the classification and measurement of financial instruments. IFRS 9 is the IASB's planned replacement of IAS 39 Financial Instruments: Recognition and Measurement with a less complex and improved standard for financial instruments. The standard is effective for annual periods beginning on or after January 1, 2015. IFRS 9 is subject to European Union endorsement, the timing of which is uncertain. The impact of IFRS 9 may also change as a consequence of further developments resulting from the IASB's project to replace IAS 39. The Company continues to monitor developments relating to IFRS 9, but in the absence of a finalised standard it is not practical to quantify the impact of IFRS 9, on the Company's financial statements.

IFRS 7 – Disclosures Offsetting financial assets and financial liabilities (Amendment)
The amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. The amendment is effective for annual periods beginning on or after January 1, 2013. Management is still assessing the impact of this amendment on the Company's financial position or performance.

IAS 32 – Offsetting financial assets and financial liabilities (Amendment)
This amendment clarifies the meaning of "currently has a legally enforceable right to set-off". The amendment also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment is effective for annual periods beginning on or after January 1, 2014. Management is still assessing the impact of this amendment on the Company's financial position or performance.

Early Adoption
The Company early adopted IFRS 13, Fair Value Measurement, as disclosed above.

3. Investments – at Fair Value Through Profit or Loss

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Valuation techniques for inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly or quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 – Valuation techniques for inputs are unobservable inputs for the asset or liability.

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of reporting period.

As at June 30, 2013, the Company held the following classes of financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Assets				
Investment - at fair value through profit and loss - held for trading				
Equity Shares	$ –	$ 36,686,945	$ –	$ 36,686,945
	$ –	$ 36,686,945	$ –	$ 36,686,945

4. Related Parties

As of June 30, 2013, BCB is a significant investor of the Company, holding 26.70% equity interest (458,835 shares) and 32.80% of issued loan notes ($5,618,600). BCB serves as the Company's Custodian.

As of June 30, 2013, Utilico Investments Limited ("Utilico") is also a significant investor of the Company, holding 67.20% equity interest (1,152,360 shares) and 67.20% of issued loan notes ($11,523,600) and whose ultimate parent undertaking is General Provincial Life Pension Fund (L) Limited. Utilico's investment manager is also the Company's Investment manager.

BCB's subsidiaries also serve as the Company's administrator and registrar and transfer agent and corporate secretary. The Company's Investment Manager is also the investment advisor of BCB. The Investment Manager, Custodian, and Administrator each maintain separate business units, roles and responsibilities to ensure segregation between different functions. The details of the fees paid to these entities are as follows:

Management Fees and Performance Fees
Pursuant to the investment management agreement dated October 9, 2012, the Company pays the Investment Manager, for its investment management services, a management fee based on the gross asset value of the portfolio of 0.50% per annum, payable quarterly in arrears. Management fees for the period amounted to $127,461, of which $44,015 remained outstanding and is included under the accounts payable and accrued expenses account in the statement of financial position at June 30, 2013.

The Investment Manager may be paid additional performance fees at the discretion of the Company, as approved by the Board of Directors. No performance fees were paid during the period.

Administration Fees and Corporate Secretarial Fees
Pursuant to the administration agreement dated October 9, 2012, the Company pays BCB Asset Management Limited (the "Administrator"), for its administration and registrar and transfer agency services, a fixed administration fee of $10,000 per annum, payable quarterly in arrears. In addition,

the Administrator provides certain other services to the Company which will be charged for, at the Administrator's normal commercial rates from time to time. Administration fees for the period amounted to $7,500, of which $2,500 remained outstanding and is included under the accounts payable and accrued expenses account in the statement of financial position at June 30, 2013.

The Company also pays BCB Charter Corporate Services Limited (the "Corporate Secretary"), for its corporate secretarial services, a fixed fee of $3,500 per annum, payable quarterly in arrears. Corporate secretarial fees for the period amounted to $2,625, of which $875 remained outstanding and included under the accounts payable and accrued expenses account in the Statement of Financial Position at June 30, 2013.

Listing Sponsor Fees
Pursuant to the listing sponsor agreement dated October 9, 2012, the Company also pays the Administrator, for its services, a minimum fee of $5,000 per annum, listing fees for the period, in the statement of comprehensive income, amounted to $2,500, and none of which remained outstanding at June 30, 2013.

Custodian Fees
Pursuant to the corporate custodian agreement dated October 9, 2012, the Company pays the Custodian, for its custodian services, a custodian fee of $15,000 per annum, payable quarterly in arrears. The Custodian will also be reimbursed for all reasonable out-of-pocket expenses incurred on behalf of the Company. Custodian fees for the period amounted to $11,250, of which $3,750 remained outstanding and included under the accounts payable and accrued expenses in the statement of financial position at June 30, 2013.

5. Financial Risk Management

Overall Risk Management
In order to achieve the Company's investment objective, the Company seeks to take on a certain level of financial risk. The Company's investment activities expose it to various types of financial risks such as market risk, price risk, credit risk, and liquidity risk.

Risk management can be segregated into pre-investment and post-investment risk management. Pre-investment risk management involves determining asset allocation and portfolio construction. Thereafter, risk management involves conducting risk and return analyses; monitoring the relevant Company-specific portfolio restrictions and investment guidelines; managing credit, liquidity risks, and making relevant adjustments to asset allocation; and portfolio construction.

Capital Management
The Company invests the majority of its capital in what management believes to be under-valued Bermuda equities as set forth in its prospectus. On a periodic basis, the Investment Manager monitors the Company's investment and cash position, and future cash flow from various transactions, which can be from the Company's operating expenses, and shareholder transactions to maintain the Company's operations.

Market Risk
Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate, due to changes in market variables such as equity prices and market volatility. The Company is exposed to the Bermuda market through its investments.

Price Risk
Price risk is the risk that the price of a financial instrument will fluctuate due to changes in market conditions influencing, directly or indirectly, the value of the instrument. The Company is exposed to price risk from its investments. Price risk is managed through the overall risk management processes described above. A 10% movement in fair values of its investments would impact the Company's net income by an increase or decrease of $3,531,326. 10% was estimated by management as an appropriate threshold for sensitivity testing based on an average price movement of the portfolio over a twelve-month period.

Credit Risk
Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company.

The Company's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of June 30, 2013, in relation to each class of recognised financial assets, is the carrying amount of those assets in the statement of financial position.

The Investment Manager performs due diligence on all counterparties before they become a service provider or counterparty to the Company, and credit quality checks are part of this process. The credit quality of the Company's banks, brokers, guarantor, and any lenders is regularly monitored, and factored into allocation decisions.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not significantly exposed to interest rate risk, which only applies to cash at bank. The Company's loan note is based on fixed interest thus, not susceptible to interest rate fluctuations.

Liquidity Risk

Liquidity risk is the risk that the Company may be unable to generate or obtain sufficient funds in a timely and cost-effective manner to meet its commitments as they come due. To limit this risk, management has adopted a policy of managing assets with liquidity in mind, and of monitoring future cash flows and liquidity on a regular basis.

Maturity Profile

The maturity profile of the Company's assets and liabilities at June 30, 2013, is as follows:

		Within 1 year		2-5 Years		5-10 Year		Total
Assets								
Investments	$	36,686,945	$	–	$	–	$	36,686,945
Dividends receivable		627,820		–		–		627,820
Prepayments and other assets		3,498		–		–		3,498
	$	37,318,263	$	–	$	–	$	37,318,263

		Within 1 year		2-5 Years		5-10 Year		Total
Liabilities								
Bank overdraft	$	351,797	$	–	$	–	$	351,797
Dividends payable		342,844		–		–		342,844
Interest payable		214,278		–		–		214,278
Accounts payable and accrued expenses		87,640		–		–		87,640
Loan Notes		–		–		17,142,200		17,142,200
	$	996,559	$	–	$	17,142,200	$	18,138,759
Net assets (liabilities)	$	36,321,704	$	–	$	(17,142,200)	$	19,179,504

6. Equity

On September 13, 2012, the Company had an authorised share capital of $100 divided into 10,000 ordinary shares having a par value of $0.01 each. On October 9, 2012, the Company increased its authorised share capital to $100,000 divided into 10,000,000 ordinary shares having a par value of $0.01 each by the creation of 9,990,000 ordinary shares having a par value of $0.01 each.

Each shareholder is entitled to enjoy all rights attached to each share including voting rights and dividends. In the event of liquidation of the Company, the shareholder is entitled to the surplus assets of the Company.

Pursuant to the share transfer agreements dated October 9, 2012, BCB, Utilico and Eclectic Investment Company Limited disposed of certain investments valued in aggregate at approximately $34.29 million to the Company. On the same date, they received in exchange 1,714,221 shares in the Company (Utilico: 1,152,360 shares, BCB: 560,436 shares, and Eclectic: 1,425 shares) at an issue price of $10 per share and 17,142,201 5% 2019 unsecured loan notes from the Company (Utilico: $11,523,600, BCB: $5,604,350, and Eclectic: $14,250) with a par value of $1 each. Refer to Note 9 for further details on the loan notes.

On June 3, 2013, the Company issued 571,407 unlisted warrants to shareholders on a one-for-three basis with an exercise price of $10 per share and a maturity of June 30, 2014.

7. Earnings per share

The following table presents the computation of basic and diluted earnings per share:

			2013		
		Net Earnings	Weighted Average Shares		Earnings Per Share
Basic earnings per share	$	2,380,138	1,714,221	$	1.39
Diluted earnings per share	$	2,380,138	2,285,628	$	1.04

8. Dividends

It is the intention of the Company to distribute income to shareholders by way of dividend payments. Distributions will be paid to shareholders on a semi-annual basis, unless otherwise specified, and subject to the discretion of the Board.

On June 3, 2013, the Board declared dividends of $342,844 ($0.20 per share), payable to shareholders of record as at June 21, 2013, all of which remained outstanding at June 30, 2013. On the same date, the Board approved the adoption of a dividend reinvestment plan (the "Plan"). According to the Plan, all shareholders of the Company are eligible to participate in the Plan and may make one of the following elections; not participate in the Plan and receive cash dividends – in which case dividends paid in respect of all shares will be paid in the normal way; or fully participate in the Plan – in which case dividends on all participating shares will be reinvested in new Shares. The Plan commenced subsequent to the period-end upon the payment of the June dividends declared by the Board.

Certain directors and their affiliates owned 93.99% of the Company. During the period, certain directors and affiliates of the Company were owed a dividend distribution of $322,239.

9. Loan Notes

On October 9, 2012, the Company issued and subsequently listed on the BSX $17,142,200 loan notes of a par value of $1.00 per note ("Loan Notes"), which represents 100% of the issued Loan Notes of the Company. The Company can create up to $40 million loan notes. The Loan Notes rank pari passu equally and ratably with each other without discrimination or preference. All Loan Notes not previously purchased and cancelled will be redeemed by the Company on September 30, 2019, at their nominal amount. The interest on the Loan Notes is paid semi-annually at 5% per annum. Interest expense relating to the Loan Notes for the period amounted to $604,739, of which $214,278 remained outstanding at June 30, 2013. At June 30, 2013, holders of the Loan Notes are the major shareholders of the Company.

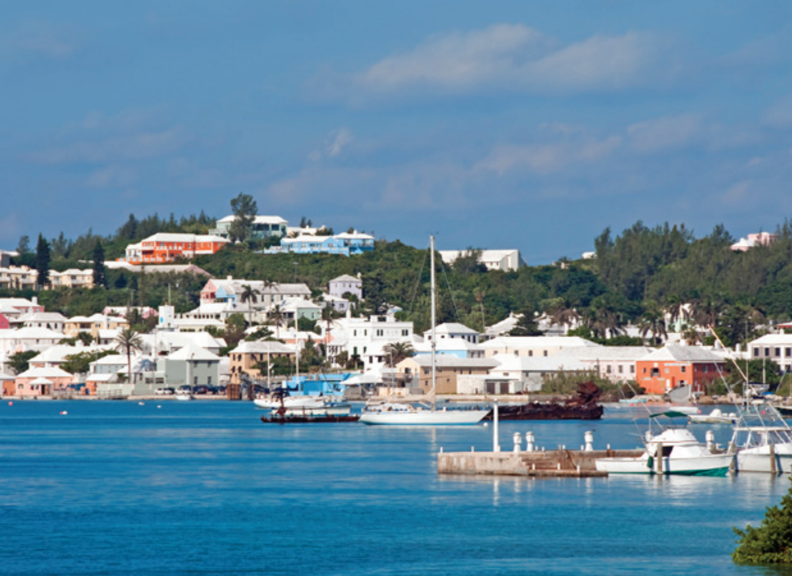
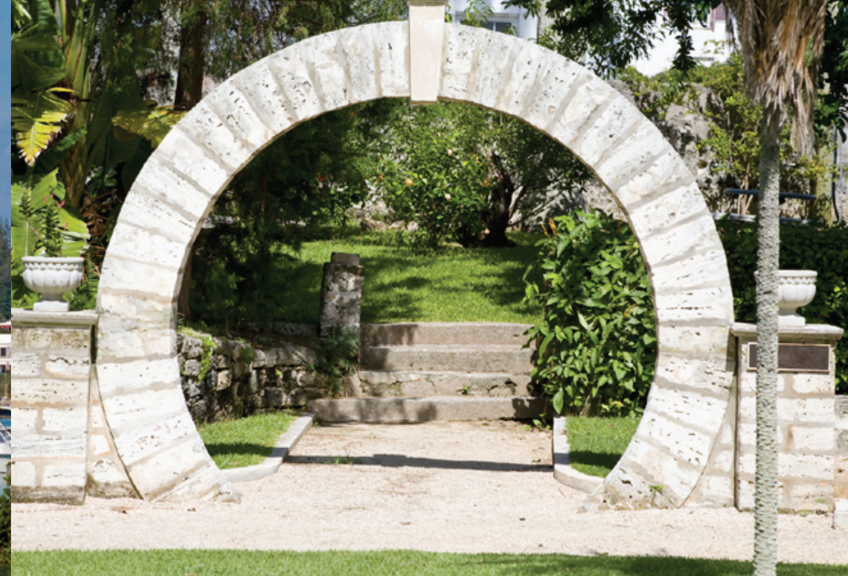
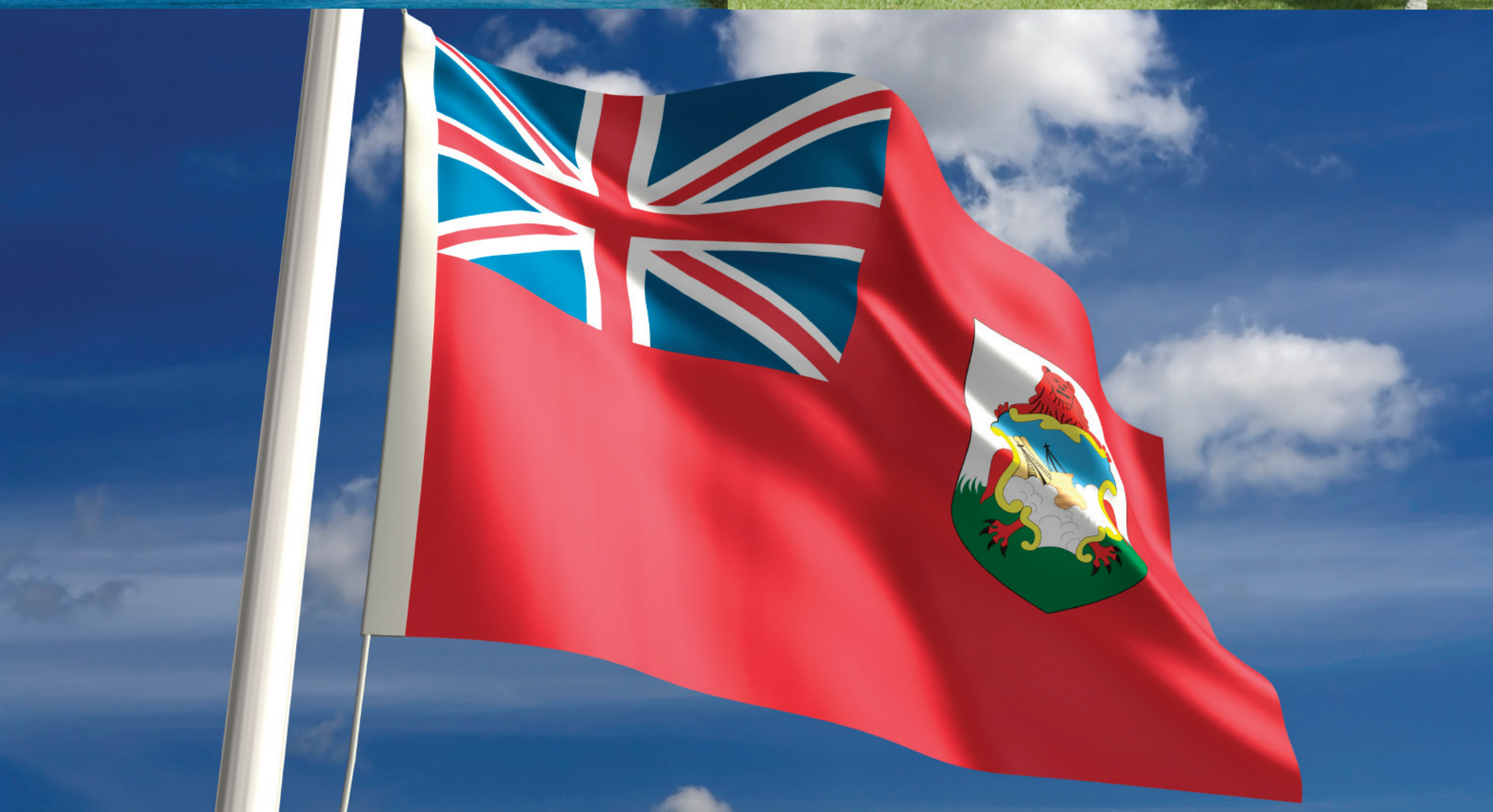
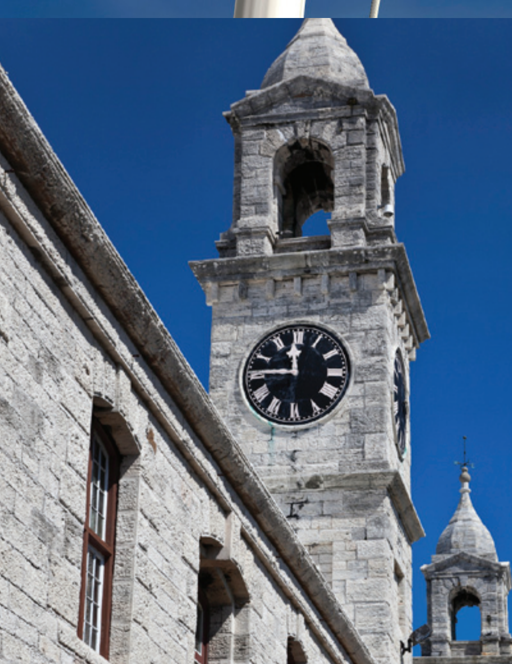
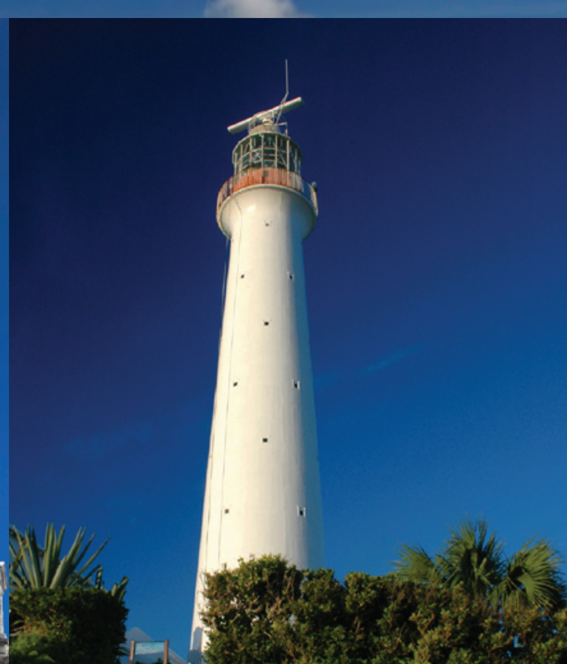
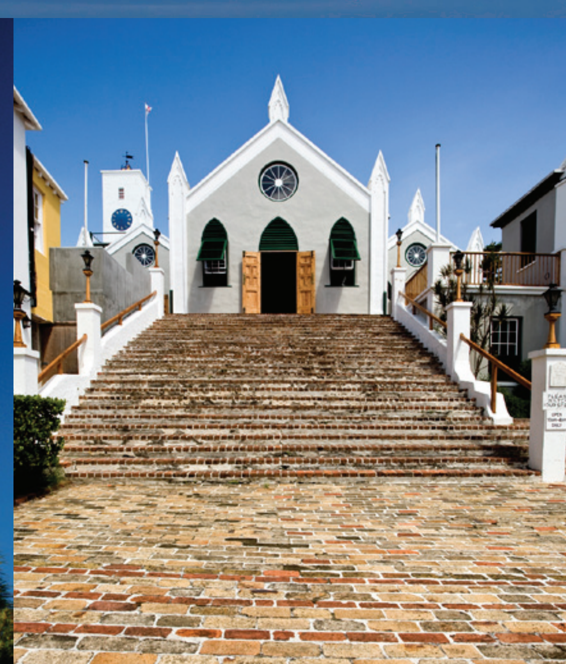
10. Taxation

Under current Bermuda law, the Company is not obligated to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda, pursuant to the provisions of the Exempted Undertakings Tax Protection Act 1966, which exempts the Company from any such Bermuda taxes, at least until March 31, 2035.

11. Subsequent Events

Subsequent to period-end, existing shareholders adopted the Plan where 25,107 new shares were issued representing 73% ($251,077) of dividends declared in June 2013.

On June 3, 2013, the Board and its loan note holders approved the amendment of the interest rate on the Loan Notes to 6% from 5%, with effect from July 1, 2013.

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