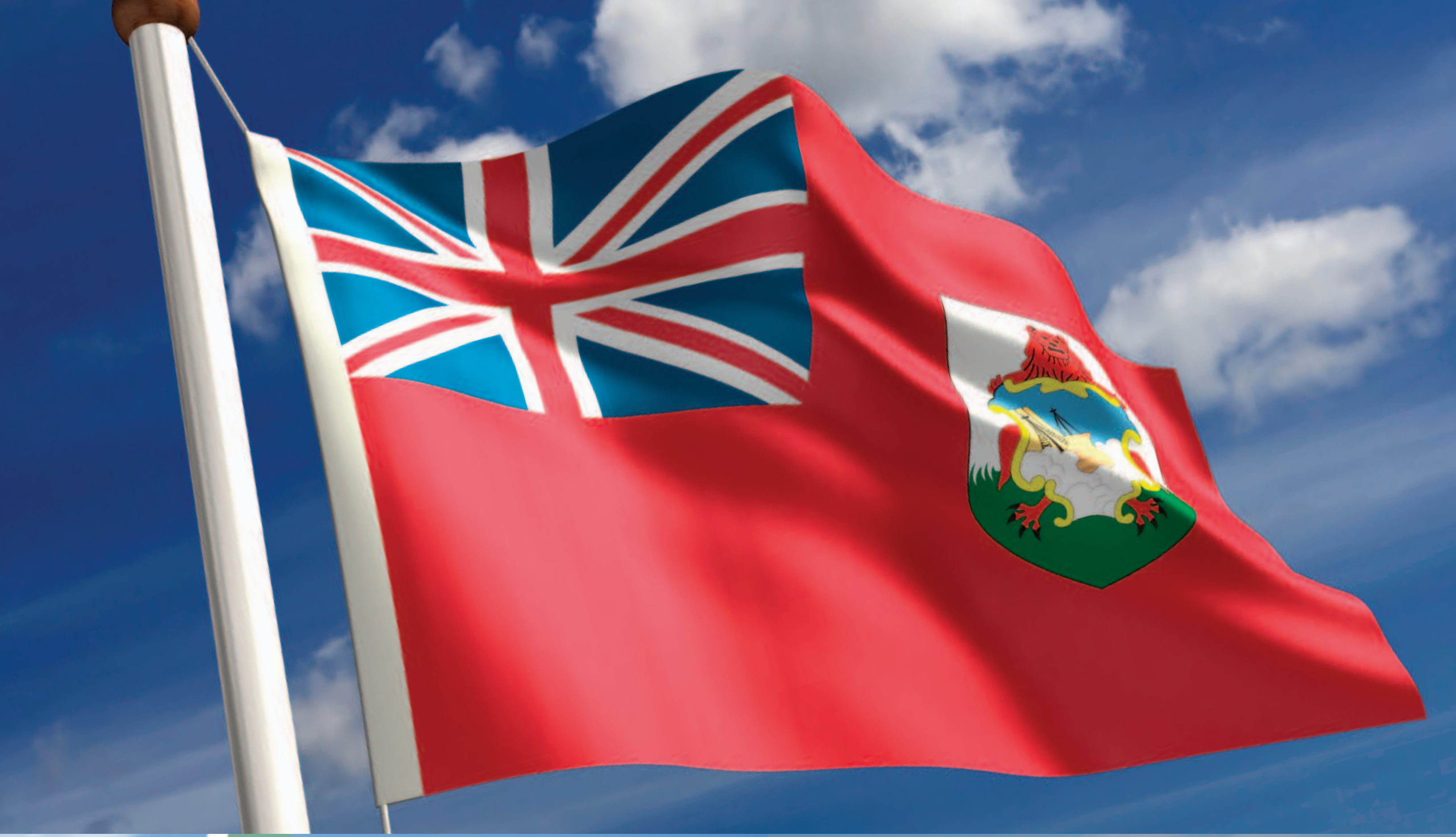
2015 Annual Report

BERMUDA FIRST INVESTMENT COMPANY

MANAGED BY ICM






BERMUDA FIRST INVESTMENT COMPANY LIMITED

- **Established October 2012**
- **Listed on the BSX October 29, 2012**
- **Gross assets of BD$ 23.6 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

Year End	June 30, 2015
Annual General Meeting	December 9, 2015
Half Year	December 31, 2015
Half Year December 2015 announcement	March 2016

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.

Chairman's Statement
November 6, 2015

Introduction

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 year ended June 30, 2015.

The Company was incorporated in October 2012 as an investment holding company with the stated strategy to invest 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.

Share prices in Bermuda have continued to remain depressed and the Company has continued to add to its holdings at these reduced valuations. We remain convinced and this has been supported by some of the transactions completed by our investments in 2015 that the share prices of our investments remain undervalued and if the Bermuda economy continues to improve then we anticipate that there will be share price appreciation in our investments.

Financials

The Company's major investments as at June 30, 2015, were its holdings in KeyTech Limited ("KeyTech") ($13.2 million) and Ascendant Group Limited ("Ascendant") ($7.0 million). KeyTech's dividend remains suspended at the year end but Ascendant maintained its quarterly dividend throughout the year at $0.09 a share. Both Argus Group Limited ("Argus") and BF&M Limited ("BF&M") have increased their dividend payments during the year. The suspension of the KeyTech dividend has significantly impacted our income stream during the financial period and is the main reason for the reduction in income earned by the Company this year.

The Company has increased its portfolio of investments in the year ended June 30, 2015, adding to its holdings at lower cost levels. We have reduced our holdings in BF&M to primarily fund further investment in our core holdings of KeyTech, Ascendant and Argus.

Income Statement

For the 12 months ended June 30, 2015, the Company recorded income of $0.5 million (2014: $2.7 million), operating loss of approximately $1.2 million (2014: income of $1.5 million) and an unrealised loss on its investments of $9.3 million (2014: $13.6 million). The Company incurred total expenses of approximately $1.7 million (2014: $1.6 million), the bulk of which are attributed to the interest on the Company's loan notes ($1.4 million) and interest on its $5 million loan facility with Bank of N.T. Butterfield & Son Limited ("BNTB"). ICM Limited, the Company's Investment Manager, was paid an investment management fee of $130k for the year.

The Company's loss per share was $5.28 (2014: loss per share of $6.39)

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 at a price based on the average of the bid and offer prices.

As at June 30, 2015, the Company had total assets of $23.6 million (2014: $32.0 million) and net liabilities of $1.7 million (2014: net assets of $8.9 million). The Company had accrued dividends of $91k, all of which were subsequently received post year end. The Investment Manager's report gives more detail on the Company's investments and their performance in the financial year.

As at June 30, 2015, the Company had total liabilities of $25.3 million (2014: $23.1 million). The Company's major liability is its $18.5 million 2019 unsecured loan notes. The loan notes were originally issued to the Company's founder shareholders in October 2012 and they carry a coupon of 6% with interest paid semi-annually.

The Company's BM$5 million loan facility (the "Facility") with the BNTB was extended for a further 12 months on May 6, 2015. The Facility carries a rate of BNTB's base rate plus 175 bps.

Dividends
Due to the reduction in the Company's income during the year, no dividends were declared.

Summary
We are disappointed with the Company's results for the year which have been driven primarily by the decrease in the value of the share prices of our two largest holdings, KeyTech and Ascendant. However, there have been recent signs that the Bermuda economy has stabilised and with events such as the America's Cup in 2017, Bermuda has the opportunity to capitalise on this global event and look to grow its economy.

Our investments have significant challenges ahead of them as a result of the deep recession that Bermuda is now starting to recover from. We continue to believe that our investments are fundamentally sound companies with strong business models that will benefit from a continued upturn in the Bermuda economy.

It is important that the Bermuda Government focuses on making Bermuda an attractive jurisdiction to undertake business. Bermuda needs to replace the large number of people who have left the island since 2008. More people in Bermuda will increase the need for key services such as electricity and telecommunications. In addition, the multiplier effect on the economy with other services such as restaurants and retail stores benefitting from increased traffic. However, we are very aware that any upturn in performance in Bermuda is likely to be a long and slow process.

As referred to in more detail in the Investment Manager's report there are actions that companies can take which will improve shareholder returns. The transformative transactions entered into by KeyTech during and post the year end are a good example of the ways in which companies in a depressed environment can still aim to move forward.

We want companies to focus on their core strengths and streamline operations to generate the maximum returns to shareholders. We believe that this year our investments have been focusing on these existing and future costs in order to generate better returns for shareholders. A prime example of this is the action being taken by Ascendant to reduce the future health and other costs associated with their retirees. The retirement benefits that Ascendant are having to fund are no longer suitable in the current environment and we are fully supportive of management's determination to reduce these costs.

We are disappointed with the performance of our investments in 2015 but believe that they are in a better position now than they were 12 months ago and would benefit from the expected upturn in the Bermuda economy. We believe the companies are listening to shareholders and are focused on generating improved shareholder returns. We look forward to the future with cautious optimism.

J. Michael Collier
Chairman

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 maximise 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.

Investment Manager's Report

BFIC's focus is on 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, either through Board representation or dialogue, to increase the long term value of these investments and to introduce shareholder friendly initiatives such as dividend reinvestment plans, or share buybacks so that all shareholders can benefit.

The macroeconomic environment in Bermuda continues to be challenging despite 2015 likely to be the first year in over five years that real GDP will be positive. In the rest of the world there is a bifurcation between central banks in the US and the UK looking to raise interest rates and the central banks of the EU, China and Japan continuing to utilise easing monetary policies in order to try and generate faster growth. We anticipate that both the US and UK will raise interest rates in the next 12 months but that the interest rate path will be very shallow. The impact that such rises will have on the capital markets is uncertain at present with a feeling in the US that it is time for interest rates to rise above 0%. It is clear however that global growth has slowed in 2015 and that the level of public debt is at an unsustainable level.

Bermuda appears to be emerging from the deepest recession on record but like the rest of the world at a fairly anemic pace. This is due in part to consolidation in the reinsurance sector, the exodus of thousands of overseas workers and an increasing public sector debt. The hosting of the America's Cup in 2017 will undoubtedly provide economic benefits but not enough tough decisions have been made to reduce Bermuda's long term debt. Policies have been implemented to make Bermuda a more favourable jurisdiction to undertake business but more needs to be done to drive revenue and reduce costs.

The management teams in our investments have been proactive in reducing costs and looking at ways to increase revenue. We believe that such decisions taken with the long term in mind will prove to be beneficial to all shareholders.

Portfolio

BFIC's net liabilities as at June 30, 2015, were $1.7 million (2014: net assets of $8.9 million). The investments in KeyTech and Ascendant accounted for 85.9% (2014: 88.9%) of the Company's portfolio as at June 30, 2015. The rest of the portfolio is made up of investments in other Bermudian listed companies on the BSX such as Argus and BF&M.

KeyTech's share price decreased by 36.0% during the year ended June 30, 2015. This reflected the continued weakness in the Bermuda economy coupled with increased competition in Bermuda's telecoms market following new regulations introduced over the last 2 years. During the year, BFIC increased its holding in KeyTech by 213,049 shares.

KeyTech's results for the year ended March 31, 2015, were released on July 29, 2015. The company announced a total comprehensive loss from continuing operations of $1.9 million (2014: $1.7 million). Net loss from continuing operations was $15.9 million (2014: $2.1 million). A loss of $18.6 million was attributed to the difference between the proceeds from the sale of BTC and its carrying value. Operating revenues were $66.9 million (2014: $39.1 million). The results included seven months of BOTCAT.

On September 3, 2014, KeyTech announced that it had sold 100% of its interest in BTC. In addition, KeyTech announced the acquisition of BOTCAT, which owns 100 percent of WestStar TV Ltd. in Cayman and a 40% interest in CableVision Holding Ltd in Bermuda. As a result of this acquisition, KeyTech had a controlling interest of 68% in Cablevision. The BOTCAT acquisition was financed through a combination of debt and equity. Post the year end, KeyTech acquired the remaining shares in Cablevision and now owns 100% of Cablevision. Cablevision has subsequently been merged with Logic and now operates under the Logic brand name.

On October 6, 2015, Keytech announced that it had agreed to acquire CellOne to create a full service provider of mobile, fixed and international telecommunication services. In addition Atlantic Tele-Network, Inc ("ATN") which has jointly owned and operated CellOne with KeyTech since 2011, agreed to invest $42 million in cash in KeyTech in exchange for a 51% interest in KeyTech. This valued KeyTech's equity at $4.50 a share. As part of this transaction, current KeyTech shareholders will receive a one-time special dividend of $0.75 a share, to be paid upon the receipt of regulatory approval which remains a condition of the transaction.

The cash injection will enable KeyTech to significantly reduce its net debt thereby increasing free cash flow to invest in the necessary capital expenditure to grow its products and offerings in both Cayman and Bermuda. The telecommunications market in Bermuda is likely to operate as a duopoly between KeyTech and Digicel (who bought BTC in 2015) and therefore KeyTech needs to be in a position to offer a multitude of services whilst investing in its superior network. Having all of these services under single ownership will enable KeyTech to combine its offering which has significant benefits, in particular to business customers. In addition the ability for customers to receive one bill has numerous benefits to the consumer.

We are fully supportive of these transactions and believe that the end result will be a more profitable and stronger company with growth prospects in both Cayman and Bermuda. KeyTech remains an undervalued company despite the recent increase in the share price post the year end. The recent transaction will be beneficial to all shareholders and should result in an increased share price and the ability of the company to reinstate its dividend moving forward.

Ascendant's share price decreased by 21.1% during the year ended June 30, 2015. During the year, BFIC increased its holding in Ascendant by 104,900 shares.

In 2015, Ascendant prepared its interim financial statements in accordance and compliance with International Financial Reporting Standards ("IFRS"). The most significant transitional adjustments impacted opening retained earnings relating to post-retirement benefit plans and impairment of property, plant and equipment.

For the six months ended June 30, 2015, Ascendant announced consolidated net income of $970k, a 15% decrease compared to $1.1 million in 2014. Excluding the impact of discontinued operations and non-recurring charges associated with the restructuring and closure of the residential appliance and service business of Bermuda Gas, operating earnings were $3.2 million, a $1.5 million improvement from the comparable period in 2014. The improvement in operating earnings was primarily due to improved results at BELCO driven by higher electricity sales revenues and lower operating costs. These were partly offset by a decline in operating earnings at AG Holdings.

The first six months of 2015 is the first financial period for a number of years where total kilowatt per hour sales at Belco increased. This is a positive development and with continued focus on reducing costs, particularly post-retirement benefits at BELCO, we would anticipate that the full year results for 2015 will show an improved financial performance compared to prior years.

Post the year end, BELCO submitted a request to the Energy Commission for a rate increase. With the reduction in the number of people in Bermuda, BELCO's rate of return from the investment in its infrastructure is not sufficient. With a significant portion of its generating fleet due for retirement over the next few years, BELCO needs to generate a sufficient return on its investment. The Energy Commission have recently requested an extension and are looking to respond before the end of 2015.

BELCO is still in the process of finalising its integrated resource plan which will set out its view of the long term energy environment in Bermuda and BELCO's future energy generation strategy. Consumers have benefitted in 2015 from continued low prices and the general consensus is that oil prices are going to remain lower for longer. Ascendant is in a very important period as it works through its strategic options whilst contributing to the legislation that will govern Bermuda's energy needs for decades to come. It is key that Ascendant are at the centre of the regulatory framework as the return that the company will be able to generate will be in part determined by the legislation in place. This will then enable Ascendant to determine whether the conversion to LNG is financially viable or whether it should look to utilise different sources of energy.

The share price continues to remain under pressure due to the uncertainty over the company's future strategic direction and the impact of Bermuda's economy on its underlying financial performance. We believe some clarity on the future and signs that the economy is picking up, albeit very slowly, should put a floor under the share price and hopefully lead to some appreciation over the medium term.

Argus' share price decreased by 5.6% during the year ended June 30, 2015. During the year BFIC increased its holding in Argus by 54,800 shares.

On June 29, 2015, Argus announced a net profit of $16.0 million for the year ended March 31, 2015, compared to $13.3 million in the year prior. Shareholders' Equity was $118.3 million, representing an increase from $106.1 million in the prior year. The result for the year represents a return on average Shareholders' Equity of 14.3 percent compared to 13.2 percent for the previous year. Earnings per share for the year were $0.76 compared to $0.63 last year. As of March 31, 2015, Total Assets including Segregated Fund Assets stood at $2.2 billion.

Net premiums written increased by $13.4 million or 11 percent, arising from a combination of new business and client retention levels. Net benefits and claims increased by $5.3 million due primarily to hurricane related claims in the Bermuda Property and Casualty business. Investment income increased by $7.9 million when compared to the prior year aided by further declines in global interest rates, which resulted in unrealised gains in the fixed income portfolios being reported for the year.

The company has also extended its footprint in Malta through the acquisition of Millennium Insurance Agency Limited's client portfolio. This acquisition strengthened its commercial client base in Malta. We believe that Argus needs to look to grow its non-Bermuda revenue in Malta and Gibraltar. With the market in Bermuda very competitive and ex-growth, Argus needs to focus on alternative growth prospects and markets such as Malta represent a good opportunity.

The company declared an interim dividend of eight cents per share. The shares are now yielding (based on the bid price) approximately 4.2%. The company continues to perform as anticipated and the balance sheet is significantly stronger than a few years ago. We believe the shares remain attractive at this price.

Other Investments

The Company's other investments include small holdings in BF&M Limited, Bermuda Aviation Services Limited and Bermuda Press Holdings Ltd.

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 West Hamilton Holdings Limited and was formerly Chairman of Ascendant Group Limited and Bermuda Commercial Bank 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 is a qualified accountant who has previously worked in corporate finance at Arbuthnot Securities Limited and PricewaterhouseCoopers in London. He is a director of Ascendant Group Limited, Bermuda Commercial Bank Limited, Logic Limited, Somers 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, Investment Manager to Zeta Resources Limited, listed on the Australian Stock Exchange and Investment Adviser to Bermuda Commercial Bank Limited and to the BSX listed Somers Limited.

Duncan Saville

Mr. Saville is a chartered accountant with over 30 years of 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 the Bermuda listed Somers Limited and West Hamilton Holdings Limited.

Alasdair Younie

Mr. Younie is a director of ICM Limited, and is a qualified accountant who has previously worked in corporate finance at Arbuthnot Securities Limited and PricewaterhouseCoopers in London. He is a director of Ascendant Group Limited, Bermuda Commercial Bank Limited, Logic Limited, Somers 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, 2015, the statement of changes in shareholders' (deficit)/equity, the statement of comprehensive loss, and the statement of cash flows for the year then ended, 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.

Building a better working world

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, 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

October 19, 2015

Statement of Financial Position

(Expressed in Bermuda Dollars)

As at June 30, 2015

		2015		2014
Assets				
Cash	$	15,560	$	–
Investments – at fair value through profit or loss (Note 3)		23,464,113		31,511,435
Dividends receivable		90,848		491,159
Prepayments and other assets		5,962		3,123
Total assets	$	23,576,483	$	32,005,717
Liabilities				
Bank overdraft	$	–	$	492,701
Interest payable (Notes 9 and 10)		383,900		257,347
Accounts payable and accrued expenses (Note 4)		72,894		82,292
Loans (Note 10)		6,350,000		5,100,000
Loan notes (Notes 4 and 9)		18,462,855		17,142,200
Total liabilities		25,269,649		23,074,540
Shareholders' (deficit)/equity				
Share capital (Notes 4 and 6)		20,079		19,746
Share premium		20,059,071		19,726,244
Accumulated deficit		(21,772,316)		(10,814,813)
Total (deficit) equity		(1,693,166)		8,931,177
Total liabilities and shareholders' (deficit) equity	$	23,576,483	$	32,005,717

See accompanying notes.

Statement of Changes in Shareholders' (Deficit)/Equity

(Expressed in Bermuda Dollars)

Year ended June 30, 2015

		2015		2014
Balance at beginning of year	$	8,931,177	$	19,179,504
Issue of share capital (Note 6)		333		2,604
Share premium on issuance of share capital (Note 6)		332,827		2,601,176
Dividends (Note 8)		(394,927)		(756,237)
Net loss for the year		(10,562,576)		(12,095,870)
Balance at end of year	$	(1,693,166)	$	8,931,177

See accompanying notes.

Statement of Comprehensive Loss

(Expressed in Bermuda Dollars)
Year ended June 30, 2015

		2015		2014
Investment income				
Dividend income	$	505,760	$	2,739,568
Expenses				
Interest expense (Notes 9 and 10)		1,430,337		1,239,785
Management fee (Note 4)		130,499		186,787
Directors' fees		36,000		36,000
Audit fees		27,500		27,500
Custodian fees (Note 4)		15,000		15,000
BSX listing fees		14,328		6,375
Administration fees (Note 4)		10,000		10,000
Listing sponsor fees (Note 4)		5,000		2,500
Corporate secretarial fees (Note 4)		3,832		3,500
Legal fees		1,506		12,731
Other operating expenses		41,587		33,770
		1,715,589		1,573,948
Net investment loss (income)		(1,209,829)		1,165,620
Net realised (loss) gain and change in unrealised loss on investments				
Net realised (loss) gain on investment – at fair value through profit or loss		(28,918)		322,129
Net change in unrealised loss on investments – at fair value through profit or loss		(9,323,829)		(13,583,619)
		(9,352,747)		(13,261,490)
Net loss for the year	$	(10,562,576)	$	(12,095,870)
Earnings per share				
Basic (Note 7)	$	(5.28)	$	(6.39)
Fully diluted (Note 7)	$	(5.28)	$	(6.39)

See accompanying notes.

Statement of Cash Flows

(Expressed in Bermuda Dollars)

Year ended June 30, 2015

		2015		2014
Operating activities				
Net loss for the year	$	(10,562,576)	$	(12,095,870)
Adjustment to reconcile net loss for the year to net cash used in operating activities:				
Purchases of investments – at fair value through profit or loss		(1,847,337)		(9,579,630)
Sale of investments – at fair value through profit or loss		541,912		1,493,650
Net realised loss (gain) on investment – at fair value through profit or loss		28,918		(322,129)
Net change in unrealised loss on investments – at fair value through profit or loss		9,323,829		13,583,619
Net changes in operating assets and liabilities:				
Dividends receivable		400,311		136,661
Prepayments and other assets		(2,839)		376
Interest payable		126,553		43,069
Accounts payable and accrued expenses		(9,398)		(5,348)
Net cash used in operating activities		(2,000,627)		(6,745,602)
Financing activities				
Proceeds from loans		1,350,000		5,100,000
Issuance of loan notes		1,320,655		–
Payment of loans		(100,000)		–
Dividends paid		(61,767)		(245,302)
Proceeds from exercise of warrants		–		1,750,000
Net cash provided by financing activities		2,508,888		6,604,698
Net change in cash and cash equivalents		508,261		(140,904)
Cash and cash equivalents at beginning of year		(492,701)		(351,797)
Cash and cash equivalents at end of year	$	15,560	$	(492,701)
Cash and cash equivalents consist of:				
Cash (Bank overdraft)	$	15,560	$	(492,701)
Supplemental cash flow information				
Interest paid	$	483,129	$	1,196,716
Dividends received	$	906,071	$	2,876,229
Non-cash transactions				
Shares issued through dividend reinvestment (Notes 8)	$	333,160	$	853,780

See accompanying notes.

Notes to Audited Financial Statements

(Expressed in Bermuda Dollars)

June 30, 2015

1. Corporate Information

Bermuda First Investment Company Limited (the "Company") was incorporated as an exempted company under the laws of Bermuda on September 13, 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 ("Investment Manager"), a Bermuda-based fund manager and corporate finance adviser.

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

The financial statements of the Company were authorised for issue in accordance with a resolution of the Board of Directors (the "Board") on October 19, 2015.

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 (loss).

(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 (loss) 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 (loss). 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 (loss).

The Company follows the below valuation methodology:

- The fair value of financial instruments traded 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.

As a result of the illiquid nature of the portfolio (whether due to a lack of an active market or the Company holding a significant number of shares), there could be a large spread between the average of the bid and ask prices compared to the last trade price and the differences could be material.

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 (loss) 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 cash at bank, bank overdraft, 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, 2015, the cash amount included a cash balance of $14,785 (2014 – net amount included bank overdraft of $495,629) in the statement of financial position, which was held with Bermuda Commercial Bank Limited ("BCB" or the "Custodian").

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 Company'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 (loss) 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 (loss) on an accrual basis.

New Standards, Interpretations, Amendments to Published Standards Relevant to the Company

The following new standards and amendments to standards that became effective for annual periods beginning on or after January 1, 2014, are relevant for the Company:

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. This amendment has not impacted the Company's financial position or performance.

Amendment to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The amendment was issued in October 2012. The amendment provides an exception from consolidation for entities, which meet the definition of an investment entity, and requires such entities to recognise all investments at fair value through profit or loss. The investment entity exception within the IFRS 10 is applicable for annual periods beginning on or after January 1, 2014. Management determined that the Company meets the definition of an investment entity, and therefore, all investments are recognised at fair value through profit or loss.

IAS 24 – Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. These amendments are applicable for periods beginning on or after July 1, 2014. Refer to Note 4 for the relevant disclosures of expenses incurred by the Company for management services.

The following new standard that is not yet effective will be relevant for the Company:

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, 2018. 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.

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, 2015, the Company held the following classes of financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
Assets				
Investments – at fair value through profit and loss – held for trading				
Equity Shares	$ –	$ 23,464,113	$ –	$ 23,464,113
	$ –	$ 23,464,113	$ –	$ 23,464,113

As at June 30, 2014, the Company held the following classes of financial instruments measured at fair value:

		Level 1		Level 2		Level 3		Total
Assets								
Investments – at fair value through profit and loss – held for trading								
Equity Shares	$	–	$	31,511,435	$	–	$	31,511,435
	$	–	$	31,511,435	$	–	$	31,511,435

4. Related Parties

As of June 30, 2015, BCB is a significant investor of the Company, holding 15.38% (2014 – 15.60%) equity interest for 308,835 (2014 – 308,835) shares and 42.44% (2014 – 41.53%) of issued loan notes of $7,834,908 (2014 – $7,118,600). BCB also serves as the Company's Custodian. Refer also to Note 11.

As of June 30, 2015, Utilico Investments Limited ("Utilico") is also a significant investor of the Company, holding 78.81% (2014 – 78.60%) equity interest for 1,582,360 (2014 – 1,551,333) shares and 57.02% (2014 – 57.89%) of issued loan notes of $10,527,947 (2014 – $9,923,600). Utilico's investment manager is also the Company's Investment Manager.

Refer to Note 8 for the dividends declared and paid to Utilico and BCB for the year ended June 30, 2015.

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

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% (2014 – 0.50%) per annum, payable quarterly in arrears. Management fees for the year amounted to $130,499 (2014 – $186,787), of which $29,269 (2014 – $38,667) remained outstanding and is included under the accounts payable and accrued expenses account in the statement of financial position at June 30, 2015.

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 year (2014 – none).

Administration Fees and Corporate Secretarial Fees

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 (2014 – $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 year amounted to $10,000 (2014 – $10,000), of which $2,500 (2014 – $2,500) remained outstanding and is included under the accounts payable and accrued expenses account in the statement of financial position at June 30, 2015.

The Company also pays BCB Charter Corporate Services Limited (the "Corporate Secretary"), for its corporate secretarial services, a fixed fee of $3,500 (2014 – $3,500) per annum, payable quarterly in arrears. Corporate secretarial fees for the year amounted to $3,832 (2014 – $3,500), of which $875 (2014 – $875) remained outstanding and is included under the accounts payable and accrued expenses account in the statement of financial position at June 30, 2015.

Listing Sponsor Fees

The Company also pays the Administrator for its services. Listing fees for the year in the statement of comprehensive income (loss), amounted to $5,000 (2014 – $2,500), and none of which remained outstanding at June 30, 2015 (2014 – none).

Custodian Fees

The Company pays the Custodian, for its custodian services, a custodian fee of $15,000 (2014 – $15,000) per annum, payable quarterly in arrears. The Custodian is also reimbursed for all reasonable out-of-pocket expenses incurred on behalf of the Company, if any. Custodian fees for the year amounted to $15,000 (2014 – $15,000), of which $3,750 (2014 – $3,750) remained outstanding and is included under the accounts payable and accrued expenses in the statement of financial position at June 30, 2015.

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.

Concentration Risk

As of June 30, 2015, the investment portfolio of the Company is concentrated in two (2014 – two) listed companies with a total fair value of $20,186,330 (2014 – $27,840,060) or 86% (2014 – 88%) of total 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 15% (2014 – 15%) movement in fair values of its investments would impact the Company's net loss by an increase or decrease of $3,519,617 (2014 – $4,726,715). 15% 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 year end 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, 2015, is as follows:

		Within 1 year		2-5 Years		5-10 Years		Total
Assets								
Cash	$	15,560	$	–	$	–	$	15,560
Investments – at fair value through profit or loss	$	23,464,113	$	–	$	–	$	23,464,113
Dividends receivable		90,848		–		–		90,848
Prepayments and other assets		5,962		–		–		5,962
	$	23,576,483	$	–	$	–	$	23,576,483
Liabilities								
Interest payable	$	383,900	$	–	$	–	$	383,900
Accounts payable and accrued expenses		72,894		–		–		72,894
Loans		1,350,000		5,000,000		–		6,350,000
Loan notes		–		18,462,855		–		18,462,855
	$	1,806,794	$	23,462,855	$	–	$	25,269,649
Net assets (liabilities)	$	21,769,689	$	(23,462,855)	$	–	$	(1,693,166)

The maturity profile of the Company's assets and liabilities at June 30, 2014, was as follows:

		Within 1 year		2-5 Years		5-10 Years		Total
Assets								
Investments – at fair value through profit or loss	$	31,511,435	$	–	$	–	$	31,511,435
Dividends receivable		491,159		–		–		491,159
Prepayments and other assets		3,123		–		–		3,123
	$	32,005,717	$	–	$	–	$	32,005,717
Liabilities								
Bank overdraft	$	492,701	$	–	$	–	$	492,701
Dividends payable		257,347		–		–		257,347
Interest payable		82,292		–		–		82,292
Accounts payable and accrued expenses		100,000		5,000,000		–		5,100,000
Loan Notes		–		–		17,142,200		17,142,200
	$	932,340	$	5,000,000	$	17,142,200	$	23,074,540
Net assets (liabilities)	$	31,073,377	$	(5,000,000)	$	(17,142,200)	$	8,931,177

The above maturity profile is based on management's estimate. As a result of the illiquid nature (whether due to a lack of an active market or the Company holding a significant number of shares), there is a risk that the Company may be unable to liquidate all of its investments within one year.

Offsetting of Recognised Financial Assets and Financial Liabilities

In 2015, the Company entered into a custodian agreement with JP Morgan Chase Bank, N.A. ("JP Morgan") that provides the Company the right to set off financial assets and financial liabilities. The table below presents the fair value of financial assets and liabilities with JP Morgan on a gross and net bases as presented in the statement of financial position as of June 30, 2015.

		2015		
		Financial Assets		**Financial Liabilities**
Gross amounts of recognised financial assets/financial liabilities				
Investments – at fair value through profit or loss	$	9,574,033	$	–
Cash		775		–
		9,574,808		–
Amounts that have been offset in the statement of financial position		–		–
Net amounts of financial assets/financial liabilities presented in the statement of financial position		9,574,808		–
Amounts not offset in the statement of financial position:				
Cash collateral		–		–
Net amounts	$	9,574,808	$	–

There were no other master netting agreements in place as of June 30, 2015 (2014 – none).

6. Equity

The Company's authorised share capital is $100,000 divided into 10,000,000 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 shareholders are 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 ("Eclectic") 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 17,142,200 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 date of June 30, 2014. Utilico exercised 100,000 warrants on September 30, 2013, 700,000 warrants on October 25, 2013, and 5,000 warrants on November 20, 2013, with an exercise price of $10. All unexercised warrants expired on June 30, 2014.

On January 13, 2014, BCB sold 150,000 shares to Utilico at a value of $10 per share.

As of June 30, 2015 and 2014, the shares issued and outstanding are as follows:

	2015			2014		
	Shares		Amount	Shares		Amount
Shares, beginning of year	1,974,599	$	19,745,990	1,714,221	$	17,142,210
Shares issued	33,316		333,160	260,378		2,603,780
Shares redeemed	–		–	–		–
Shares, end of year	2,007,915	$	20,079,150	1,974,599	$	19,745,990

7. Earnings per share

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

		2015			
		Net Earnings	Weighted Average Shares		Earnings Per Share
Basic earnings per share	$	(10,562,576)	1,999,335	$	(5.28)
Diluted earnings per share	$	(10,562,576)	1,999,335	$	(5.28)

		2014			
		Net Earnings	Weighted Average Shares		Earnings Per Share
Basic earnings per share	$	(12,095,870)	1,894,021	$	(6.39)
Diluted earnings per share	$	(12,095,870)	1,894,021	$	(6.39)

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. As part of the dividend reinvestment plan, 25,107 new shares were issued representing 73% ($251,070) of the dividend declared on July 12, 2013.

On September 18, 2013, the Board declared dividends of $367,850 ($0.20 per share), payable to shareholders of record as at September 30, 2013. As part of the dividend reinvestment plan, 27,609 new shares were issued representing 75% ($276,090) of the dividend declared on October 25, 2013.

On February 21, 2014, the Board declared dividends of $388,387 ($0.20 per share), payable to shareholders of record as at March 14, 2014. As part of the dividend reinvestment plan, 32,662 new shares were issued representing 84% ($326,620) of the dividend declared on March 31, 2014.

On September 18, 2014, the Board declared dividends of $394,927 ($0.20 per share), payable to shareholders of record as at October 2, 2014. As part of the dividend reinvestment plan, 33,316 new shares were issued representing 84% ($333,160) of the dividend declared on September 30, 2014.

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. 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 on July 1, 2013. The interest on the Loan Notes is paid semi-annually at 6% per annum. Interest expense relating to the Loan Notes for the year amounted to $1,060,023 (2014 – $1,028,532), of which $276,943 (2014 – $257,133) remained outstanding at June 30, 2015. At June 30, 2015 and 2014, holders of the Loan Notes are the major shareholders of the Company.

On October 1, 2013, Utilico sold 100,000 Loan Notes to an employee of BCB at a value of $1.00 per note. On January 13, 2014, Utilico sold 1,500,000 Loan Notes to BCB at a value of $1.00 per note.

On February 26, 2015, the Board closed its overdraft facility amounting to $500,000 with BCB, including interest payable amounting to $21,000, prior to its termination date and in return, issued 100% of the debt and interest in the form of Loan Notes. During the year, the Board and its Loan Note holders, Utilico and BCB, also agreed to convert interest amounting to $799,655 into Loan Notes.

10. Loans

On July 24, 2013, the Company signed a revolving credit facility of up to a maximum principal amount of $5,000,000 with The Bank of N.T. Butterfield & Son Limited (the "Bank") which expired on July 31, 2014. The credit facility was extended to July 31, 2015 and July 31, 2016, respectively. The interest on the credit facility is paid monthly in arrears at 1.5% per annum (2014 – 1.5% per annum) above the Bank's Bermuda Dollar Base Rate of 3.75% (2014 – 3.75%). Interest expense relating to the credit facility for the year amounted to $262,500 (2014 –$198,493), of which $20,143 (2014 – none) remained outstanding at June 30, 2015. As security for the credit facility, the Company pledged investments with a fair value of $13,865,000 (2014 - $15,625,000) as collateral.

On August 28, 2014, the Company signed a loan facility with a principal amount of $1,000,000 with Utilico which expired on June 30, 2015. The interest on the loan facility with Utilico is payable at maturity at 10% per annum. On September 24, 2014, the Company also signed a loan facility with a principal amount of $1,000,000 with VIX Investments Limited ("VIX"). The interest on the loan facility with VIX is payable at maturity at 6% per annum. On October 30, 2014, the loan facility between the Company and VIX was novated by VIX to one of its shareholders, Utilico. Pursuant to a supplemental agreement, the Company and Utilico agreed on October 30, 2014 that the principal amount of the loan facility with Utilico be increased to $1,500,000. The total amount of drawdowns made by the Company from the loan facility with Utilico (including the previous loan facility with VIX Investments Limited) for the year ended June 30, 2015 amounted to $1,350,000. As of June 30, 2015, the amount of undrawn loan facility amounted to $150,000. On June 23, 2015, the repayment date of the loan facility was extended to September 30, 2015 and on September 28, 2015, the repayment date of the loan facility was extended to September 30, 2016. Interest expense relating to the loan facility amounted to $86,814, of which all remained outstanding at June 30, 2015.

11. Service Provider and Related Costs

As disclosed in Note 5, JP Morgan provides custodian services to the Company effective March 31, 2015. For its services, JP Morgan receives payment for its services based on fees agreed from time to time, including reasonable out-of-pocket or incidental expenses.

12. 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.

13. Subsequent Events

Management has evaluated subsequent events from July 1, 2015 through October 19, 2015, the date the financial statements were available to be issued. Management has determined that other than those events described below, there are no material events or transactions that would affect the Company's financial statements or require disclosures in the Company's financial statements through this date.

On October 6, 2015, KeyTech Limited ("KeyTech") in which the Company has a significant holding announced that it had entered into an agreement with Atlantic Tele-Network, Inc. ("ATN") that will allow KeyTech, through Bermuda Digital Communications, Ltd., doing business as CellOne ("CellOne"), Logic and its other subsidiaries, to create a full service provider of mobile, fixed and international telecommunication services in Bermuda. The transaction will bring together CellOne's mobile services and network with Logic's ("CableVision") brand for broadband Internet, telephone and video services. As part of the agreement, KeyTech will receive ATN's shares in CellOne and approximately $42 million in cash. ATN, which has jointly owned and operated CellOne with KeyTech since May 2011, will receive a 51% interest in KeyTech. In connection with the proposed transaction, current KeyTech shareholders will receive a one-time special dividend of $0.75 per share, conditioned upon successful completion of the proposed transaction. KeyTech will continue to be listed on the BSX. As a result, the fair value of the Company's investment in KeyTech increased from $13,235,570 as of June 30, 2015 to $15,510,434 as of October 19, 2015.


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