



**Premier Commercial Real Estate
Investment Corporation Limited**

**Unaudited Consolidated Financial Statements
For The Quarter Ended March 31, 2014**

*Disclaimer: These interim financial statements
are for management purposes only and have not
been audited.*

**PREMIER COMMERCIAL REAL ESTATE INVESTMENT
COMMERCIAL LIMITED**

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PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2014

(With comparative figures as at March 31, 2013)

(Expressed in Bahamian Dollars)

	Note	2014	2013
Assets			
Cash and cash equivalents	3	\$32,133	\$333,237
Due from property manager	4, 13	499,376	16,129
Rents and recharges receivables	5	130,713	176,299
Prepaid expense	6, 16	172,531	188,257
Equipment (net)	7	39,675	55,285
Investment properties	8	11,296,563	12,650,000
Other assets		8,712	25,956
		\$12,179,703	\$13,445,163
Liabilities			
Accrued expenses and other payables	11	\$120,696	\$137,192
Advance rent	9	42,508	42,508
Security deposits from tenants	10	132,144	132,144
Credit facilities	12	1,680,519	2,055,910
Due to tenant	13	498,290	-
		2,474,157	2,367,754
Equity			
Share capital	14	10,828,850	10,828,850
Retained earnings		(1,123,304)	248,559
		9,705,546	11,077,409
		12,179,703	\$13,445,163
Net assets attributable to holders of participating ordinary shares		\$9,705,546	\$11,077,409
Net Assets Value Per Share			
Attributable to participating ordinary shares (based on 1,082,885 shares outstanding)		\$8.96	\$10.23

See accompanying notes to unaudited interim consolidated financial statements.

Approved by The Board on _____, 2014:

Director

Director

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended March 31, 2014

(With comparative figures for the six months ended March 31, 2013)

(Expressed in Bahamian Dollars)

	Note	2014	2013
Income			
Rental income		\$529,857	\$566,552
Less: Common area maintenance expense	15	(169,080)	(155,567)
Other income		26	37
		360,803	411,022
Expenses			
Property management fee	4	37,305	29,072
Administration fees		35,100	25,100
Interest and bank charges	12	23,073	24,853
Real property tax	17	21,914	-
Accounts written-off	5	15,402	-
Directors' fees		15,000	15,000
Licenses and permits		14,146	8,685
Property manager's commissions	6, 16	12,909	11,074
Depreciation	7	7,805	7,805
Professional fees		6,894	19,625
Amortization	8	5,600	-
Publication fee		4,600	4,900
Travel		2,550	-
Miscellaneous		500	-
Consulting, legal and advisory	18	(6,902)	28,640
		195,896	174,754
Net income		164,907	236,268
Retained earnings, beginning of the year		(1,288,211)	12,291
Retained earnings, end of quarter		(\$1,123,304)	\$248,559

See accompanying notes to unaudited interim consolidated financial statements.

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the quarter ended March 31, 2014

(With comparative figures for the quarter ended March 31, 2013)

(Expressed in Bahamian Dollars)

	2014	2013
Income		
Rental income	\$319,428	\$283,607
Less: Common area maintenance expense	(84,325)	(70,920)
Other income	10	17
	\$235,113	212,704
Expenses		
Accounts written-off	15,402	-
Property management fee	14,659	14,659
Interest and bank charges	12,726	12,560
Tax expense	10,957	-
Administration fees	9,550	15,550
Licenses and permits	9,161	5,010
Directors' fees	7,500	7,500
Property manager's commissions	6,454	5,537
Amortization	5,600	-
Depreciation	3,903	3,903
Publication fee	2,300	4,900
Miscellaneous	500	-
Professional fees	(1,493)	4,437
Consulting, legal and advisory	(15,259)	21,109
	81,960	95,165
Net income	\$153,153	117,539
Retained earnings, beginning of quarter	(1,276,457)	131,020
Retained earnings, end of quarter	(\$1,123,304)	\$248,559

See accompanying notes to unaudited interim consolidated financial statements.

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the quarter ended March 31, 2014

1. GENERAL INFORMATION

Premier Commercial Real Estate Investment Corporation Limited ("the Fund") was incorporated under the laws of The Commonwealth of The Bahamas on February 4, 2003. On February 10, 2003, the Fund was granted a Mutual Fund license under the Investment Fund Act, 2003 which supersedes the Mutual Funds Act, 1995. The Fund operates as a closed-end investment fund. On July 9, 2003, the Fund was given approval for listing on the Bahamas International Securities Exchange (BISX) with the objective of spreading its risk by investing in a diverse portfolio of commercial real estate properties in The Bahamas with long-term leases to first class tenants.

The Fund has two subsidiaries, which it owns 100%: (1) the First Commercial Centre Limited (FCCL) which was incorporated under the laws of The Commonwealth of The Bahamas on December 2, 1996; and (2) the Oakes Central Properties (2003) Limited which was incorporated on May 9, 2003.

The Fund's registered office is located at Equity Trust Bahamas Limited, Equity Trust House, Caves Village, West Bay Street, Nassau, Bahamas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These unaudited interim consolidated financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These unaudited interim consolidated financial statements comply with IAS 34 (Amended): "Interim Financial Reporting".

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent company, using consistent accounting policies. All intercompany balances and transactions are fully eliminated.

Use of estimates

The Fund uses accounting estimates and assumptions in the preparation of these unaudited interim consolidated financial statements. Although these estimates are based on management's best knowledge of current events and transactions, actual results may ultimately differ from those estimates. The effect of any changes in estimates will be recorded in the Fund's financial statements when determinable. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Income and expenses

Rental income as well as expenses are generally recognized on an accrual basis when the service has been provided.

Investment properties

Investment properties are initially recorded at cost, which approximates their transaction value. At each balance sheet date, the Fund will make its best effort to determine the fair value of its investment properties, with any resulting gains or losses to be included in the consolidated statement of comprehensive income.

Equipment

Equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight line method over five years, which approximates its estimated useful life.

3. CASH AND CASH EQUIVALENTS

This account is consist of:

	2014	2013
CIBC First Carribean International Bank (FCIB) - Bahamian Dollar	\$25,603	\$326,766
CIBC First Carribean International Bank (FCIB) - Time Deposit	6,530	6,471
	\$32,133	\$333,237

4. DUE FROM PROPERTY MANAGER

The Fund has contracted Commercial Domicile Management (CDM) for the property management services including tenant billing, collection of rent and management of expenses. For this, CDM receives an annual fee of \$58,634 (2013: \$58,634) or \$4,886 per month (2013: \$4,886).

CDM maintains a checking account with CIBC FCIB under its name to service the Fund's operating expenses. As at March 31, 2014, balance of this account is as follows:

	2014	2013
Operating account	\$1,086	\$16,129
Account held in escrow (see Note 13)	498,290	-
	\$499,376	\$16,129

5. RENTS AND RECHARGES RECEIVABLES

This account is consist of:

	2014	2013
Caribbean Bottling	\$53,505	\$53,505
First Carribean International Bank	25,616	29,869
ABC Company, Inc.	26,887	77,768
Okyanos Operating Company Ltd.	20,485	-
Central Bank of the Bahamas	4,220	(934)
Moss and Associates	-	16,091
	\$130,713	\$176,299

Moss and Associates terminated its lease on August 31, 2013. A total of \$15,402 has been written-off from their account as confirmed by the property manager.

Caribbean Bottling's lease expired on June 30, 2013. Said tenant has an arrangement with the Fund to lease the Freeport building and Thompson Boulevard depot for a monthly fee of \$7,000 and \$1,100, respectively. Moreover, Caribbean Bottling participates in the payment of real property tax for \$80 per month.

6. PREPAID EXPENSES

This account refers to the commissions received by the property manager in relation to the Okyanos' new lease and FCIB's and Central Bank's lease renewal to be amortized over the respective lease terms. As at March 31, 2014, balance of this account amounted to \$172,531 (2013: \$188,257).

There is a proportionate and reasonable claw back provision on all lease commissions and fees earned by the property manager in the event any tenancy related to such commission and fees do not go to full term.

7. EQUIPMENT (NET)

Carrying value of this account is:

	2014	2013
Acquisition cost	\$78,050	\$78,050
Less: accumulated depreciation	(38,375)	(22,765)
	\$39,675	\$55,285

8. INVESTMENT PROPERTIES

Appraised value and movements of the investment properties are as follows:

	September 30 appraised values	Additions	March 31 balance
First Commercial Centre - Freeport	\$6,800,000	\$371,563	\$7,171,563
Caribbean Bottling Company - Thompson Blvd. Plant, Nassau	3,500,000	-	3,500,000
Caribbean Bottling Company - Distribution Centre, Freeport	625,000	-	625,000
	\$10,925,000	\$371,563	\$11,296,563

The September 30, 2013 valuations of \$10,925,000 (2012: \$12,650,000) were performed by Bahamas Realty Ltd., an independent appraiser, utilizing both the cost approach and income capitalization approach.

The additions of \$371,563 pertain to the improvements in the First Commercial Building which were capitalized in accordance with IAS 40 - Investment Property. These improvements were composed of the following:

Relocation of All Bahamas Construction Co. Ltd. from Office #8 to Office #2	27,163
Contribution of FCCL in the renovation of Okyanos' space	350,000
Less: accumulated amortization	(5,600)
	371,563

9. ADVANCE RENT

This account pertains to the April 2014 rent of Okyanos Operating Company Ltd.

The advance rent of the same amount which was originally booked and received in 2012 was applied to the January 2014 rent of Okyanos.

10. SECURITY DEPOSITS FROM TENANTS

The Fund holds the following security deposits on behalf of its two subsidiaries:

	2014	2013
First Commercial Center Limited	\$85,017	\$85,017
Oakes Central Properties (2003) Limited	47,127	47,127
	\$132,144	\$132,144

These amounts are to be returned to the tenants upon the termination of their rental agreements less any amounts / charges due from the lessor.

11. ACCRUED EXPENSES AND OTHER PAYABLES

Breakdown of this account is as follows:

	2014	2013
Real property tax	\$32,871	-
Audit fee	29,138	9,713
Publication fee	14,485	4,900
Electricity	13,235	14,158
Property management fees	9,772	9,772
Insurance	8,865	8,865
Appraisal fee	6,750	8,875
Repairs and maintenance	2,545	-
Water	1,355	880
Licenses and permits	1,250	-
Elevator services	430	215
Patrol services	-	1,814
Director's fee	-	3,000
Provision for security costs	-	75,000
	\$120,696	137,192

The \$75,000 security cost was settled as per Deed of Settlement and Release dated February 3, 2014. Both parties agreed to divide the cost equally.

12. CREDIT FACILITIES

The Fund has a credit facility with CIBC FCIB totaling \$5,800,000 granted in September 2003 and collateralized by the Fund's investment properties. The Facility bears an annual interest at US\$ LIBOR rate + 1.75%. As at March 31, 2014, the carrying value of the loan is \$1,680,519 (2013: \$2,055,910).

Total interest paid and charged to expense during the quarter amounted to \$8,570 (2013: \$10,296). Such amount is included in interest and bank charges on the unaudited consolidated statement of comprehensive income.

13. DUE TO TENANT

This account pertains to the US \$500,000 escrow money being placed in a non-interest bearing term deposit with RBC Royal Bank (Bahamas) Limited under the name of Argus Advisors, a law firm owned by the property manager. This amount is to be used to partially finance the renovation of the space rented out by Okyanos. As at March 31, 2014, BSD equivalent of the account is \$498,290.

14. SHARE CAPITAL

The Fund's authorised share capital comprises 30,000,000 ordinary shares of \$0.01 par value each. The Fund's issued and fully paid capital is \$10,828,850 comprising of 1,082,885 shares at \$10 per share. The shares of the Fund are closely held.

The minimum initial subscription that will be accepted from a new investor is \$100,000 with minimum additional increments of \$50,000. The Board of Directors may, in their absolute discretion, by giving not less than ten business days notice to any holder of shares, effect the compulsory redemption of all (but not some) of the shares. There were no subscriptions or redemptions of shares during the period. No dividends were declared as well.

15. COMMON AREA MAINTENANCE EXPENSE

Breakdown of this account is as follows:

	2014	2013
Electricity and water	\$52,383	\$60,145
Insurance	53,187	53,187
Patrol services	25,200	24,864
Repairs and maintenance	33,882	15,083
Others	4,428	2,287
	\$169,080	\$155,567

16. PROPERTY MANAGER'S COMMISSIONS

This refers to the amortized portion of the prepaid commissions received by the property manager (see Note 6).

17. REAL PROPERTY TAX

This pertains to the real property tax of the Thompson Boulevard Plant for the period January to March 2014. The Fund shall pay for the property tax after Caribbean Bottling terminated its lease on June 30, 2013. Accumulated amount is disclosed in Note 11.

18. CONSULTING, LEGAL AND ADVISORY

This account is consist of:

Payment to Andre Feldman for the amendment of Okyanos' lease agreement and escrow agreement	\$11,600
Payment to Sears & Co. for the interpleader proceedings re security costs	9,285
Settlement of security cost which was equally divided by both parties	(37,500)
	<u>(16,615)</u>