

**PREMIER COMMERCIAL REAL ESTATE
INVESTMENT CORPORATION LIMITED**

**Consolidated Financial Statements
For The Period From October 1, 2013
To December 31, 2014,
And Independent Auditors' Report**

**PREMIER COMMERCIAL REAL ESTATE INVESTMENT
CORPORATION LIMITED**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Premier Commercial Real Estate Investment Corporation Limited:

We have audited the consolidated financial statements of Premier Commercial Real Estate Investment Corporation Limited which comprise the consolidated statement of financial position as at December 31, 2014, and the related consolidated statements of comprehensive income, net assets attributable to participating shareholders and cash flows for the fifteen month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Premier Commercial Real Estate Investment Corporation Limited as at December 31, 2014, and its financial performance and its cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Notes 8 and 15 in the consolidated financial statements, which indicates that the Company has significant investment in assets that are not readily convertible into cash.

Deloitte & Touche

June 26, 2015

**PREMIER COMMERCIAL REAL ESTATE INVESTMENT
CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014**
(Expressed in Bahamian dollars)

	December 31, 2014	September 30, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 30,128	\$ 284,450
Due from property manager (Note 16)	44,528	517,336
Accounts receivable, net (Note 5)	122,699	277,236
Prepaid expenses (Notes 7 and 16)	<u>153,168</u>	<u>185,440</u>
Total current assets	<u>350,523</u>	<u>1,264,462</u>
NON-CURRENT ASSETS:		
Fixed assets, net (Note 6)	361,913	47,480
Investment properties (Note 8)	9,599,777	10,925,000
Other assets	<u>5,000</u>	<u>9,986</u>
Total non-current assets	<u>9,966,690</u>	<u>10,982,466</u>
TOTAL ASSETS	<u><u>\$ 10,317,213</u></u>	<u><u>\$ 12,246,928</u></u>

(Continued)

See notes to consolidated financial statements.

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

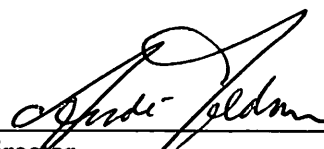
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014
(Expressed in Bahamian dollars)**

	December 31, 2014	September 30, 2013
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accrued expenses and other payables	\$ 242,294	\$ 207,595
Security deposits (Note 10)	85,017	132,144
Current portion of long-term debt (Note 11)	387,915	382,004
Due to tenant (Note 7)	<u>-</u>	<u>497,220</u>
Total current liabilities	715,226	1,218,963
NON-CURRENT LIABILITY:		
Long-term debt (Note 11)	<u>1,006,559</u>	<u>1,487,326</u>
Total liabilities	1,721,785	2,706,289
EQUITY:		
Net assets attributable to participating shareholders	<u>8,595,428</u>	<u>9,540,639</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 10,317,213</u>	<u>\$ 12,246,928</u>
NET ASSET VALUE PER SHARE (NOTE 9)		
Attributable to participating ordinary shares (based on 1,082,885 shares outstanding (2013: 1,082,885))	<u><u>\$ 7.94</u></u>	<u><u>\$ 8.81</u></u>


(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on June 26, 2015, and are signed on its behalf by:



Director



Director

**PREMIER COMMERCIAL REAL ESTATE INVESTMENT
CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM OCTOBER 1, 2013 TO DECEMBER 31, 2014**
(Expressed in Bahamian dollars)

	15 Months Ended December 31, 2014	Year Ended September 30, 2013
INCOME:		
Rental income (Note 13)	\$ 1,523,016	\$ 1,107,311
Less: Common area maintenance expense	(590,376)	(320,561)
Other income	<u>21</u>	<u>6,069</u>
Total income	<u>932,661</u>	<u>792,819</u>
EXPENSES:		
Property management fees (Notes 7 and 16)	131,949	58,389
Administration fees (Notes 12 and 16)	89,066	51,600
Depreciation (Note 6)	62,730	15,610
Interest and bank charges (Note 11)	57,186	46,687
Real property tax	54,785	10,957
Directors' fees (Note 16)	39,000	31,927
Licenses and permits	36,000	20,199
Property management commissions (Notes 7 and 16)	32,272	25,500
Bad debts (Note 5)	21,770	-
Professional, consulting, legal and advisory fees (Notes 16 and 18)	20,834	66,853
Publication fee	4,600	40,599
Travel and other expenses	<u>2,457</u>	<u>-</u>
Total expenses	<u>552,649</u>	<u>368,321</u>
Net investment income	<u>380,012</u>	<u>424,498</u>
OTHER EXPENSES:		
Net loss on fair value adjustment of investment properties (Note 8)	<u>(1,325,223)</u>	<u>(1,725,000)</u>
Total other expenses	<u>(1,325,223)</u>	<u>(1,725,000)</u>
NET AND COMPREHENSIVE LOSS	<u><u>\$ (945,211)</u></u>	<u><u>\$ (1,300,502)</u></u>

See notes to consolidated financial statements.

**PREMIER COMMERCIAL REAL ESTATE INVESTMENT
CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO
PARTICIPATING SHAREHOLDERS
FOR THE PERIOD FROM OCTOBER 1, 2013 TO DECEMBER 31, 2014**
(Expressed in Bahamian dollars)

	15 Months Ended December 31, 2014	Year Ended September 30, 2013
Net assets at beginning of period	\$ 9,540,639	\$ 10,841,141
Net increase (decrease) in net assets from operations attributable to holders of non-redeemable participating ordinary shares:		
Net investment income	380,012	424,498
Net loss on fair value adjustment of investment properties	<u>(1,325,223)</u>	<u>(1,725,000)</u>
Net decrease in net assets	<u>(945,211)</u>	<u>(1,300,502)</u>
Net assets attributable to shareholders at end of period	<u>\$ 8,595,428</u>	<u>\$ 9,540,639</u>

See notes to consolidated financial statements.

**PREMIER COMMERCIAL REAL ESTATE INVESTMENT
CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM OCTOBER 1, 2013 TO DECEMBER 31, 2014**
(Expressed in Bahamian dollars)

	15 Months Ended December 31, 2014	Year Ended September 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (945,211)	\$ (1,300,502)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net loss on fair value adjustment of investment properties (Note 8)	1,325,223	1,725,000
Depreciation (Note 6)	<u>62,730</u>	<u>15,610</u>
Operating income before working capital changes	442,742	440,108
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable, net	154,537	(56,976)
Decrease in prepaid expenses	32,272	13,891
Decrease (increase) in due from property manager	472,808	(517,066)
Decrease in other assets	4,986	9,927
Increase in accrued expenses and other payables	34,699	31,549
Decrease in security deposits	(47,127)	-
(Decrease) increase in due to tenant	<u>(497,220)</u>	<u>497,220</u>
Net cash from operating activities	<u>597,697</u>	<u>418,653</u>
CASH FLOWS FROM INVESTING ACTIVITY:		
Purchase of fixed assets (Note 6)	<u>(377,163)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Repayment of loan principal	<u>(474,856)</u>	<u>(371,510)</u>

(Continued)

See notes to consolidated financial statements.

**PREMIER COMMERCIAL REAL ESTATE INVESTMENT
CORPORATION LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM OCTOBER 1, 2013 TO DECEMBER 31, 2014**
(Expressed in Bahamian dollars)

	15 Months Ended December 31, 2014	Year Ended September 30, 2013
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(254,322)	47,143
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>284,450</u>	<u>237,307</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 30,128</u>	<u>\$ 284,450</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash received as interest during the period	<u>\$ 21</u>	<u>\$ 69</u>
Cash paid for interest during the period	<u>\$ 43,010</u>	<u>\$ 37,534</u>

(Concluded)

See notes to consolidated financial statements.

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 1, 2013 TO DECEMBER 31, 2014 *(Expressed in Bahamian dollars)*

1. GENERAL

Premier Commercial Real Estate Investment Corporation Limited (the “Fund”) was incorporated on February 4, 2003 under the laws of the Commonwealth of The Bahamas and commenced operations on September 9, 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). The investment objective of the Fund is to spread its risk by investing in a diverse portfolio of commercial real estate properties in The Bahamas with long-term triple net leases and first class tenants.

The Fund’s registered office is located at Argus Advisors, West Atlantic Drive, Freeport, Bahamas. The Fund had no employees at December 31, 2014, but instead, engages service agents to carry out its operational and administrative services.

2. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to their operations and effective for annual reporting periods beginning October 1, 2013. The adoption of the following standards and interpretations has not led to any changes in the Fund’s accounting policies

IFRS 7	Financial Instruments: Disclosures (amendments)
IFRS 9	Financial Instruments: Classification and Measurement (amendments)
IFRS 10	Consolidated Financial Statements (amendments)
IFRS 12	Financial Instruments: Presentation (amendments)
IFRS 13	Fair Value Measurement (amendments)
IAS 1	Presentation of Financial Statements (amendments)
IAS 16	Property Plant and Equipment
IAS 28	Investments in Associated and Joint Ventures
IAS 32	Financial Instruments: Presentation (amendments)
IAS 34	Interim Financial Reporting
IAS 39	Financial Instruments: Recognition and Measurement (amendments)

At the date of authorization of these consolidated financial statements, the following relevant Standards were issued but not yet effective:

IFRS 7	Financial Instruments: Disclosures (amendments)
IFRS 9	Financial Instruments (amendments)
IFRS 10	Consolidated Financial Statements (amendments)
IFRS 12	Disclosure of Interests in Other Entities (amendments)
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IAS 1	Presentation of Financial Statements (amendments)
IAS 16	Property Plant and Equipment (amendments)
IAS 24	Related Party Disclosures
IAS 28	Investments in Associated and Joint Ventures (amendments)
IAS 32	Financial Instruments: Presentation (amendments)
IAS 34	Interim Financial Reporting (amendments)
IAS 36	Impairment of Assets (amendments)
IAS 39	Financial Instruments: Recognition and Measurement (amendments)
IAS 40	Investment Property (amendments)

Management has not assessed whether the relevant adoption of these Standards and Interpretations in future periods will have a material impact on the consolidated financial statements of the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a historical cost basis, except for investments classified as at fair value through profit or loss and other financial assets and financial liabilities that have been measured at fair value. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from those estimates.

- a. Basis of consolidation* - These consolidated financial statements comprise the financial statements of the Fund and its 100% owned subsidiaries as at December 31, 2014. The Fund’s subsidiaries consists of First Commercial Center Limited (“FCCL”) and Oakes Central Properties (2003) Limited (“Oakesco”) which were incorporated under the laws of the Commonwealth of The Bahamas on December 2, 1996 and May, 9, 2003 respectively. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Fund and cease to be consolidated from the date on which control is transferred out of the Fund. All intercompany balances and transactions have been fully eliminated.
- b. Cash and cash equivalents* - The Fund considers all cash and short-term deposits with original maturity of three months or less to be cash and cash equivalents. Such amounts are valued at cost which approximates market value.

- c. **Participating shares** - International Accounting Standard 32 Financial Instruments: Presentation (“IAS 32”) requires entities that issue financial instruments to classify such instruments as liabilities or equity in accordance with the substance of the contractual arrangement and the definitions contained within IAS 32 of a financial liability and equity instrument. In this regard, IAS 32 requires that financial instruments that give the holder the right to put the instrument back to the issuer for cash or another financial asset be classified as liability of the issuer.

The participating shares issued by the Fund provide the participating shareholders with the right to redeem their shares for cash equal to their proportionate share of the net asset value of the Fund. Within the context of IAS 32, the existence of the option for the participating shareholders to put the shares back to the Fund in exchange for cash requires the Fund to classify the participating shares as a financial liability.

Amendments to IAS 32 and IAS 1 on puttable instruments provide an exception to the definition of a financial liability when certain strict criteria are met. Those criteria include: the puttable instruments must entitle the holder to a pro-rata share of net assets; the puttable instruments must be the most subordinated class and the class features must be identical; there must be no contractual obligation to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

As such, participating shares are presented as equity in the statement of financial position which is determined based on the residual assets of the Fund after deducting the Fund’s liabilities and management share capital.

- d. **Financial instruments** - On initial recognition, a financial asset or liability is measured at its fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset or liability. After initial recognition, financial assets are classified as either financial assets at fair value through profit or loss (FVTPL); held-to-maturity investments; loans and receivables; or available-for-sale; and are measured at their fair values without any deduction for transaction costs, except for the following financial assets:

- i. receivables and held-to-maturity financial instruments are measured at amortized cost using the effective interest rate method;
- ii. investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

After initial recognition financial liabilities are measured at amortized cost using the effective interest method, except for financial liabilities which are measured at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value.

Term deposits with an original maturity of 3 months or longer are classified as held-to-maturity financial instruments. They have fixed or determinable payments, fixed maturity dates, and the Fund has the intent and ability to hold them to maturity.

Other assets that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables and are carried at cost, which equates to amortized cost. Accounts payable and other liabilities are financial liabilities, which are carried at cost.

Investments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
 - Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
 - Level 3 - Fair value measurements are those derived from the lower of the valuation techniques or offer prices that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Fund's investments, comprising of investment properties, are considered Level 3.
- e. Investment properties* - All investment properties are initially recognized at cost, being the fair value of the consideration given, including transaction costs. After initial recognition, investment properties are measured at fair value. Gains and losses arising from the changes in the fair value of the investment properties are included in the consolidated statement of comprehensive income in the period in which they arise.

Investment properties are derecognized when they have either been disposed of or when the property is permanently withdrawn from use and no further benefit is expected from its disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

- f. Revenue recognition* - Rental income is accounted for on the accrual basis based on rental amounts established in the tenants' lease agreements and is reported net of the Fund's portion of common area maintenance expense. Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.
- g. Accounts receivable* - Accounts receivable, which generally have 30 day terms, are recognized and carried at the original invoice amount less an allowance for uncollectible accounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.
- h. Bank loans* - All bank loans are initially recognized at cost, being the fair value of the consideration received. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized in the consolidated statement of operations when the liabilities are derecognized as well as through the amortization process.

- i. Borrowing costs* - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

- j. Accounts payable and accrued liabilities* - Accounts payable and accrued liabilities, which are normally settled on the 30 to 90 day term, are carried at cost which is the fair value of the consideration to be paid in the future for services received, whether or not billed to the Fund.

- k. Fixed assets* - Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight line method, over the estimated useful lives of the assets as follows:

Equipment	20.0% per annum
Building improvements	12.5% per annum

- l. Derecognition of financial assets and liabilities* - A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- The Fund has transferred its rights to received cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expires.

- m. *Impairment of non-financial assets*** - The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.
- n. *Leases*** - Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Operating lease payments are recognized as income in the consolidated statement of income on a straight line basis over the lease term.
- o. *Income taxes*** - There are no income taxes imposed on the Fund in The Commonwealth of The Bahamas.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In the process of applying the Fund's accounting policies, which are described above, judgments made by management that have the most significant effect on the amounts recognized in the consolidated financial statements are discussed in the relevant notes below.

Certain amounts included in or affecting the Fund's consolidated financial statements and related disclosure must be estimated, requiring the Fund to make assumptions with respect to values or conditions which cannot be known with certainty at the time the consolidated financial statements are prepared. A critical accounting estimate is one which is both important to the portrayal of the Fund's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Fund evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in the particular circumstances, as well as the forecasts as to how these might change in the future.

- a. **Impairment** - The Fund has made significant investments in tangible assets. These assets are tested for impairment when circumstances indicate there may be potential impairment. Factors considered important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The Fund has adopted the authoritative guidance for fair value measurements and the fair value option for financial assets and financial liabilities. The guidance for the fair value options for financial assets and financial liabilities provides the Fund the irrevocable option to measure many financial assets and liabilities at fair value with changes in fair value recognized in earnings. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

- b. **Depreciation** - Depreciation is based on management estimates of the future useful life of property, plant and equipment. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the depreciation charges. The Fund reviews the future useful life of property, plant and equipment periodically, taking into consideration the factors mentioned above and all other important factors. In case of significant changes in the estimated useful lives, depreciation charges are adjusted prospectively.
- c. **Legal proceedings, claims and regulatory discussions** - As at December 31, 2014, there were no pending litigations involving the Fund that required disclosure or accrual in the consolidated financial statements. The Fund evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Fund to increase or decrease the amount the Fund has accrued for any matter, or accrue for a matter that has not been previously accrued because it was not considered probable, or a reasonable estimate could not be made.

- d. *Provision for doubtful accounts* - As described in Note 3, provision for doubtful accounts is based on management's evaluation of the respective portfolio. This evaluation is based on the aged analysis of the accounts receivable portfolio. Management has deemed that no provision is necessary as deposits held for tenants are sufficient to cover amounts that are past due.

5. ACCOUNTS RECEIVABLE, NET

Accounts receivable is comprised as follows:

	2014	2013
Accounts receivable - rent and recharges	\$ 122,699	\$ 277,236
Less: provision for doubtful accounts	<u>-</u>	<u>-</u>
	<u>\$ 122,699</u>	<u>\$ 277,236</u>

The movement in provision for doubtful accounts is as follows:

	2014	2013
Balance, beginning of year	\$ -	\$ -
Bad debts	21,770	-
Amounts written off	<u>(21,770)</u>	<u>-</u>
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

The ageing of receivables is as follows:

	2014	2013
Current	\$ 34,902	\$ 129,371
31 to 60 days	33,157	17,618
61 to 90 days	29,388	-
Over 90 days	<u>25,252</u>	<u>130,247</u>
Balance, end of year	<u>\$ 122,699</u>	<u>\$ 277,236</u>

Management has deemed \$87,797 (2013: \$147,865) of the receivable to be past due, but not impaired.

6. FIXED ASSETS, NET

The movement in fixed assets during the year is as follows:

	<u>Building Improvements</u>	<u>Equipment</u>	<u>Total</u>
COST:			
Balance at September 30, 2012	\$ -	\$ 134,487	\$ 134,487
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2013	-	134,487	134,487
Additions	<u>377,163</u>	<u>-</u>	<u>377,163</u>
Balance at December 31, 2014	<u>\$ 377,163</u>	<u>\$ 134,487</u>	<u>\$ 511,650</u>
ACCUMULATED DEPRECIATION:			
Balance at September 30, 2012	\$ -	\$ 71,397	\$ 71,397
Depreciation	<u>-</u>	<u>15,610</u>	<u>15,610</u>
Balance at September 30, 2013	-	87,007	87,007
Depreciation	<u>43,217</u>	<u>19,513</u>	<u>62,730</u>
Balance at December 31, 2014	<u>\$ 43,217</u>	<u>\$ 106,520</u>	<u>\$ 149,737</u>
CARRYING VALUE:			
As at December 31, 2014	<u>\$ 333,946</u>	<u>\$ 27,967</u>	<u>\$ 361,913</u>
As at September 30, 2013	<u>\$ -</u>	<u>\$ 47,480</u>	<u>\$ 47,480</u>

7. PROPERTY MANAGEMENT

The Fund has a contract with Commercial Domicile Management for the provision of property management services to include tenant billing and the collection of rent for all properties. The property manager also earns commission from the Fund for securing new tenants and handling lease renewals, including lease negotiations and executions. For their services, Commercial Domicile Management earned a management fee of \$131,949 (2013: \$58,389) and commissions of \$32,272 (2013: \$25,500). The Fund also has prepaid commissions totaling \$153,168 (2013: \$185,440) which are being expensed over the lease terms to which the commissions are related.

On March 27, 2012, the Fund entered into an Escrow Agreement with one of its tenants with the following provisions:

- a) The tenant will take early possession of the leased premises to carry out extensive improvements on the building;
- b) The tenant will deliver to the Fund, moneys in escrow totaling to US\$500,000;
- c) If the approvals to operate the business are not granted to the tenant or if the tenant decides to terminate the lease for any reason, the Fund will use the escrow money to bring back the building to its original state prior to the improvements; and
- d) The Fund is appointed as the escrow agent.

On February 7, 2014, the above Escrow Agreement was amended for the appointment of a new escrow agent and deposit of additional escrow funds, among others. The US\$500,000 escrow money was placed in a non-interest bearing term deposit with RBC Royal Bank (Bahamas) Limited under the name of the property manager's law firm. However, during the current period, the term deposit was broken and all funds were used to complete the renovations on the third floor of the First Commercial Center. As at December 31, 2014, BSD equivalent of the account was \$NIL (2013: \$497,220).

8. INVESTMENT PROPERTIES

Investment properties are comprised of the following:

	2014	2013
First Commercial Centre Limited	\$ 7,300,000	\$ 6,800,000
Caribbean Bottling Co. Nassau	1,998,500	3,500,000
Caribbean Bottling Co. Freeport	<u>301,277</u>	<u>625,000</u>
	<u>\$ 9,599,777</u>	<u>\$ 10,925,000</u>
	2014	2013
Fair value of investment properties, beginning of period	\$ 10,925,000	\$ 12,650,000
Net loss on fair value adjustment of investment properties	<u>(1,325,223)</u>	<u>(1,725,000)</u>
Fair value of investment properties, end of period	<u>\$ 9,599,777</u>	<u>\$ 10,925,000</u>

Investment properties are stated at fair values which have been determined based on the market approach using either offer prices for sales contracts that are currently in negotiations or valuations performed by Bahamas Realty. Bahamas Realty is a company incorporated under the laws of the Commonwealth of The Bahamas, and an industry specialist in valuing these types of investment properties; the company and its shareholders are independent of the Fund.

The appraisals conform to international valuation standards, and were arrived at on the basis of open market value, being defined as the "AS IS" Market Value of the Fee Simple Interest. Market value represents the highest and best use at which interest in a property might reasonably be expected to be sold by private treaty at the date of valuation assuming a willing buyer and seller in a non-forced sale. In determining the market value, the appraisers considered the cost approach and the income capitalization approach.

The cost approach is based on an analysis of the fee simple value of the land, the value of the site improvements and the cost to construct the building at current construction rates. Physical depreciation is then deducted from the construction cost. Functional obsolescence and economic depreciation are also factored in if applicable.

The income capitalization approach is considered a preferable approach when sufficient data are available for the consideration of comparable rentals in the market area. Analysis is performed of market leases which qualify as arm's-length transactions between willing and knowledgeable lessors and lessees, and used to identify price trends from which value parameters may be extracted. The income capitalization approach produces an estimate of value for real estate by capitalizing one year's net income expectancy at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment.

9. NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS

The Fund's authorized share capital is \$300,000, comprised of 30,000,000 voting participating ordinary shares (the Shares) of \$0.01 par value each. The Shares of the Fund are closely held.

The initial offering price of the Shares was \$10, and thereafter the Shares are available for subscription at dates to be determined by the directors. The minimum initial subscription 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 same shares.

Total shares issued and outstanding at December 31, 2014 totaled 1,082,885 (2013: 1,082,885). There were no subscriptions or compulsory redemptions during the year.

During the period ended December 31, 2014, the Fund did not declare or pay any dividends (2013: \$Nil).

Capital management - As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on subscriptions to the Fund and repurchases by the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase and resale of ordinary shares. The Fund's objectives for managing capital are:

- a. To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- b. To maintain sufficient liquidity to meet the expenses of the Fund and to repurchase shares.
- c. To maintain sufficient size to make the operation of the Fund cost efficient.

10. SECURITY DEPOSITS

The Fund holds the following security deposits on behalf of its two subsidiaries at December 31, 2014:

	2014	2013
First Commercial Center Limited	\$ 85,017	\$ 85,017
Oakes Central Properties	<u>-</u>	<u>47,127</u>
	<u>\$ 85,017</u>	<u>\$ 132,144</u>

These amounts are to be returned to the tenants upon the termination of their rental agreements.

11. CREDIT FACILITIES

The Fund has a credit facility (the “Facility”) with FirstCaribbean International Bank (“FCIB”) which provides for borrowings up to \$5,800,000 in United States or Bahamian dollars which is collateralized by the investment properties held by the Fund. The carrying values of the loan as at December 31 and September 30 are as follows:

Loan	Terms	2014	2013
US Dollar loan	LIBOR plus 1.75% per annum due June 1, 2018		
Current portion		\$ 387,915	\$ 382,004
Long-term portion		<u>1,006,559</u>	<u>1,487,326</u>
		<u>\$ 1,394,474</u>	<u>\$ 1,869,330</u>

The loan is due within 41 months or 3.42 years and bears interest at US \$ LIBOR rate + 1.75%, effective rate at December 31, 2014 (3 month LIBOR .256 + 1.75%) = 2.006%.

Total interest paid and charged to income amounted to \$52,570 and \$45,654 for the years ended December 31, 2014 and September 30, 2013, respectively. Such amounts are included in interest and bank charges on the consolidated statement of comprehensive income.

12. ADMINISTRATION

During the period, the fund terminated Equity Trust Bahamas Limited (“Equity Trust”) as its Fund administrator. For the period from April 1 2014 to December 31, 2014, Sterling Bahamas Limited (“Sterling Bahamas”) was contracted to replace Equity Trust as the Fund’s administrator. Sterling Bahamas is a Bahamian unrestricted investment administrator, incorporated and organized under the laws of The Commonwealth of The Bahamas for the provision of registered office, administrative and registrar and transfer agency services. The Fund incurred \$66,816 and \$22,250 of administrative expenses from Equity Trust and Sterling Bahamas respectively for period ended December 31, 2014.

13. OPERATING LEASES

The Fund has entered into commercial property leases on its investment property portfolio. These non-cancelable leases have remaining non-cancelable lease terms of between 2 and 20 years. All leases include a clause to enable upward or downward revision of the rent charge on an annual basis based on prevailing market conditions.

Future minimum rental income receivables under non-cancelable operating leases are as follows:

	December 31, 2014	September 30, 2013
Within one year	\$ 981,036	\$ 479,105
After one year but not more than five years	<u>3,924,624</u>	<u>2,147,868</u>
	<u>\$ 4,905,660</u>	<u>\$ 2,626,973</u>

14. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Fund's activities expose it to a variety of financial risks; interest rate risk, price risk, credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance.

Interest rate risk - Interest rate risk arises from the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest.

The Fund's exposure to the risk of changes in the market interest rates relates primarily to the Fund's loan payable. The Fund's bank loan has a floating rate of interest and is based on the US LIBOR rate.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates with all other variables held constant of the Fund's profits.

	Increase/decrease in basis points	Effect on profit
2014	+1%	\$ (21,693)
2014	-1%	\$ 21,693
2013	+1%	\$ (22,408)
2013	-1%	\$ 22,408

15. LIQUIDITY RISK

Liquidity risk is the risk that the Fund may encounter as a result of its inability to quickly sell its investments at fair value or when its assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Fund has established procedures with the object of minimizing such losses such as maintaining sufficient cash and facilities. The Company has significant investment in assets that not readily available to be converted into cash.

The net assets attributable to holders of redeemable participating shares that are not the subject of a redemption request do not have a stated maturity. All other financial liabilities are due to settle in less than three months, except for long-term debt as described in Note 11.

The Fund's overall liquidity risks are monitored on a quarterly basis by the Directors.

Assets and liabilities are due to mature based on the period remaining to maturity from the statement of assets and liabilities date as follows:

	2014			
	Up to 3 months	3 - 6 months	Over 6 months	Total
Cash and cash equivalents	\$ 30,127	\$ -	\$ -	\$ 30,127
Other assets	181,196	44,528	-	225,724
	<u>\$ 211,323</u>	<u>\$ 44,528</u>	<u>\$ -</u>	<u>\$ 255,851</u>
Current liabilities	\$ 242,294	\$ -	\$ -	\$ 242,294
Long-term debt	96,253	96,735	1,286,503	1,479,491
	<u>\$ 338,547</u>	<u>\$ 96,735</u>	<u>\$ 1,286,503</u>	<u>\$ 1,721,785</u>
	2013			
	Up to 3 months	3 - 6 months	Over 6 months	Total
Cash and cash equivalents	\$ 284,450	\$ -	\$ -	\$ 284,450
Other assets	287,222	517,336	-	804,558
	<u>\$ 571,672</u>	<u>\$ 517,336</u>	<u>\$ -</u>	<u>\$ 1,089,008</u>
Current liabilities	\$ 207,595	\$ -	\$ -	\$ 207,595
Long-term debt	92,070	92,859	2,313,765	2,498,694
	<u>\$ 299,665</u>	<u>\$ 92,859</u>	<u>\$ 2,313,765</u>	<u>\$ 2,706,289</u>

16. RELATED PARTY BALANCES AND TRANSACTIONS

Related party balances and transactions are comprised of the following:

	2014	2013
<i>Balances:</i>		
Due from property manager	\$ <u>44,528</u>	\$ <u>517,336</u>
Prepaid expenses	\$ <u>153,168</u>	\$ <u>185,440</u>
<i>Transactions:</i>		
Property management fees	\$ <u>131,949</u>	\$ <u>58,389</u>
Property management commissions	\$ <u>32,272</u>	\$ <u>25,500</u>
Professional, consulting, legal and advisory fees (Note 18)	\$ <u>16,125</u>	\$ <u>8,500</u>
Directors' fees	\$ <u>39,000</u>	\$ <u>31,927</u>
Administration fees (Note 12)	\$ <u>89,066</u>	\$ <u>51,600</u>

17. CHANGE IN REPORTING PERIOD

During the current period, management made a decision to change the Fund's year end from September 30 to December 31. As such, the current period's consolidated statement of comprehensive income reflects a period of 15 months. Therefore, amounts represented in the prior period's consolidated statement of comprehensive income are not entirely comparable.

18. COMPARATIVE FIGURES

For financial statement purposes, the following account balance from the prior year has been reclassified to conform to the current year's presentation.

Consolidated statement of comprehensive income:

Professional fees totaling \$38,353 was combined with consulting, legal and advisory fees.

There was no effect on net and comprehensive income as a result of this change.

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