PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

Financial Statements
For The Year Ended December 31, 2016
and Independent Auditors' Report

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

TABLE OF CONTENTS

CONTENTS **PAGE**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Premier Commercial Real Estate Investment Corporation Limited

Opinion

We have audited the accompanying consolidated financial statements of Premier Commercial Real Estate Investment Corporation Limited ("the Fund"), which comprise the consolidated statement of financial position as at December 31, 2016 and the related consolidated statements of comprehensive income, net assets attributable to participating shareholders and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Premier Commercial Real Estate Investment Corporation Limited as at December 31, 2016 and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters as of the date of the Auditors' Report.

202 Church Street • Sandyport • P.O. Box N-3205 • Nassau, Bahamas
Phone: 242.327.0689* Fax: 242.327.0696* E-Mail: info@hlbgalanis.com* Website: www.hlbgalanis.com

Management's and Those Charged with Governance'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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this Independent Auditors' Report is Philip C. Galanis.

HLB Galanis & Co.

202 Church Street
Sandyport
P O Box N 3205
Nassau, The Bahamas

May 8, 2017

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(Expressed in Bahamian dollars)

		2016		2015
ASSETS				
Current assets				
Cash and cash equivalents (Note 13)	$	1,268,288	$	72,811
Accounts receivable, net (Note 4)		472,221		387,632
Prepaid expenses (Notes 6 & 14)		121,365		127,898
Total current assets		1,861,874		588,341
Non-current assets				
Property, plant & equipment, net (Note 5)		242,164		302,458
Investment properties (Note 7)		8,900,000		11,100,000
Other assets		5,000		5,000
Total non-current assets		9,147,164		11,407,458
TOTAL ASSETS	**$**	**11,009,038**	**$**	**11,995,799**
LIABILITIES & SHAREHOLDERS' EQUITY				
LIABILITIES				
Current liabilities				
Accrued expenses and other payables	$	91,074	$	247,758
Security deposits (Note 9)		85,017		85,017
Current portion of long-term debt (Note 10)		-		392,365
Deferred income (Note 7)		38,000		-
Dividends payable (Note 8)		808,530		-
Total current liabilities		1,022,621		725,140
Long-term debt (Notes 10 & 13)		-		613,263
Total liabilities		1,022,621		1,338,403
SHAREHOLDERS' EQUITY				
Net assets attributable to participating shareholders (Note 8)		9,986,417		10,657,396
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**11,009,038**	**$**	**11,995,799**

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

These financial statements were approved by the Board of Directors and authorized for issue on May 9, 2017.

Director

Director

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
INCOME		
Rental income	$ 1,081,189	$ 1,107,119
Less: Common area maintenance expense	(86,643)	(133,378)
Other income	21	1,546
Total income	994,567	975,287
EXPENSES		
Property management fees (Notes 6 & 14)	82,053	58,634
Administration fees (Notes 11 & 14)	26,100	32,900
Depreciation (Note 5)	60,294	63,415
Bank charges	476	662
Real property tax	43,816	55,070
Directors' fees (Note 14)	30,000	30,000
Licenses and permits	7,871	11,000
Property management commissions (Notes 6 & 14)	20,989	25,270
Bad debts (Note 4)	100,000	24,486
Insurance	84,578	142,691
Professional, consulting, legal and advisory fees (Note 14)	118,825	28,150
Publication fee	5,000	5,000
Travel and other expenses	9,029	1,892
Total expenses	589,031	479,170
Net investment income	405,536	496,117
OTHER INCOME (EXPENSES)		
Finance costs (Note 10)	(31,523)	(30,125)
Net (loss) on sale of investment properties	(44,992)	-
Net gain on fair value adjustment of investment properties (Note 7)	-	1,500,223
Total other income (expenses)	(76,515)	1,470,098
NET COMPREHENSIVE INCOME	**$ 329,021**	**$ 1,966,215**

The accompanying notes form an integral part of these audited financial statements

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

CONSOLIDATED STATEMENT OF NET ASSETS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
Net assets at beginning of period	$ 10,657,396	$ 8,691,181
Net increase (decrease) in net assets from operations attributable to holders of non-redeemable participating ordinary shares:		
Dividends	(1,000,000)	-
Net investment income	405,536	496,117
Other income (expenses)		
Finance costs	(31,523)	(30,125)
Net (loss) on sale of investment properties	(44,992)	-
Net gain on fair value adjustment of investment properties	-	1,500,223
Net increase (decrease) in net assets	(670,979)	1,966,215
Net assets at end of period	**$ 9,986,417**	**$ 10,657,396**

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

PREMIER COMMERCIAL REAL ESTATE INVESTMENT CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net comprehensive income	$ 329,021	$ 1,966,215
Adjustments to reconcile net comprehensive income to net cash provided by operating activities		
Net (gain) on fair value adjustment of investment properties	-	(1,500,223)
Depreciation	60,294	63,415
Operating income before working capital changes	389,315	529,407
Changes in operating assets and liabilities		
(Increase) in accounts receivable	(84,589)	(249,738)
Decrease in prepaid expenses	6,533	64,592
Decrease in due from property manager	-	44,528
Increase (decrease) in accrued expenses and other payables	(156,684)	46,700
Increase in deferred income	38,000	-
Increase in dividends payable	808,530	-
Net cash flows provided by operating activities	1,001,105	435,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	-	(3,960)
Sale of investment properties	2,200,000	-
Net cash flows provided by (used in) investing activities	2,200,000	(3,960)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan principal	(1,005,628)	(388,846)
Dividends	(1,000,000)	-
Net cash flows (used in) financing activities	(2,005,628)	(388,846)
Net increase in cash and cash equivalents	1,195,477	42,683
Cash and cash equivalents, beginning of period	72,811	30,128
Cash and cash equivalents, end of period	**$ 1,268,288**	**$ 72,811**

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

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, 2016, but instead engaged service agents to carry out its operational and administrative services.

2. Summary of significant accounts 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 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, 2016. 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 period 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.

2. Summary of significant accounts policies *(continued)*

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 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:

2. Summary of significant accounts policies *(continued)*

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. Accrued expenses 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.

2. Summary of significant accounts policies *(continued)*

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 comprehensive income 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.

2. Summary of significant accounts policies *(continued)*

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. ***Property, plant & equipment*** - Property, plant & equipment 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
Furniture & fixtures	20% per annum

2. Summary of significant accounts policies *(continued)*

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 receive 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 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.

2. Summary of significant accounts policies *(continued)*

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.

3. Use of estimates

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.

3. Use of estimates *(continued)*

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.

3. Use of estimates *(continued)*

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 the 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, 2016, there were no pending litigation 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*** - The 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.

4. Accounts receivable, net

Accounts receivable, net is as follows:

		2016		2015
Accounts receivable – rent and recharges	$	472,221	$	387,632
Less: provision for doubtful accounts		-		-
Accounts receivable, net	**$**	**472,221**	**$**	**387,632**

4. Accounts receivable, net *(continued)*

The movement in provision for doubtful accounts is as follows:

		2016		2015
Balance, beginning of year	$	-	$	-
Bad debts		100,000		24,486
Amounts written off		(100,000)		(24,486)
Balance, end of year	**$**	**-**	**$**	**-**

The ageing of receivables is as follows:

		2016		2015
Current	$	51,354	$	51,659
31 to 60 days		4,719		286,550
61 to 90 days		5,932		177
Over 90 days		410,216		49,246
Balance, end of year	**$**	**472,221**	**$**	**387,632**

Management has deemed $420,867 (2015: $335,973) of the receivable to be past due, but not impaired.

5. Property, plant & equipment, net

The movement in property, plant & equipment, net is as follows:

		Building Improvements		Equipment		Furniture & Fixtures		Total
COST:								
Balance at December 31, 2014	$	377,163	$	134,487	$	-	$	511,650
Additions		-		-		3,960		3,960
Balance at December 31, 2015		377,163		134,487		3,960		515,610
Additions		-		-		-		-
Balance at December 31, 2016		377,163		134,487		3,960		515,610

5. Property, plant & equipment, net (*continued*)

	Building Improvements	Equipment	Furniture & Fixtures	Total
ACCUMULATED DEPRECIATION:				
Balance at December 31, 2014	43,217	106,520	-	149,737
Depreciation	47,145	15,610	660	63,415
Balance at December 31, 2015	90,362	122,130	660	213,152
Depreciation	47,145	12,357	792	60,294
Balance at December 31, 2016	137,507	134,487	1,452	273,446
CARRYING VALUE:				
As at December 31, 2016	$ 239,656	$ -	$ 2,508	$ 242,164
As at December 31, 2015	$ 286,801	$ 12,357	$ 3,300	$ 302,458

6. 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 $82,053 (2015: $58,634) and commissions of $20,989 (2015: $25,270). The increase in fees is due to adjustments for cost of living increases. During the year, the Fund was retroactively billed for inflation adjustments for the years 2010 to 2015. The Fund also has prepaid commissions totaling $106,908 (2015: $127,898) which are being expensed over the lease terms to which the commissions are related.

7. Investment properties

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. Bahamas Realty and its shareholders are independent of the Fund.

7. Investment properties (*continued*)

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.

The Investment Properties were revalued as of February 29, 2016. As there were no major events or circumstances between the year-end date, December 31, 2016, and the valuation date which would affect the value of the assets, we have determined that it is appropriate to revalue the assets based on the report provided by the certified appraisers.

During the year, the Caribbean Bottling Co. Nassau building was sold, which resulted in a loss of $44,992. At December 31, 2016, Caribbean Bottling Co. Freeport was under contract for $380,000, and therefore $38,000 is being held in escrow on that contract.

Investment properties are comprised of the following:

	First Commercial Centre Limited	Caribbean Bottling Co. Nassau	Caribbean Bottling Co. Freeport	Total
VALUE:				
Balance at December 31, 2014	$ 7,300,000	$ 1,998,500	$ 301,277	$ 9,599,777
Gain on revaluation	1,200,000	201,500	98,723	1,500,223
Balance at December 31, 2015	8,500,000	2,200,000	400,000	11,100,000
(Sale) of property	-	(2,200,000)	-	(2,200,000)
As at December 31, 2016	**$ 8,500,000**	**$ -**	**$ 400,000**	**$ 8,900,000**

8. 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, 2016 totaled 1,082,885 (2015: 1,082,885). There were no subscriptions or compulsory redemptions during the year.

During the year ended December 31, 2016, the Fund declared dividends of $1,000,000 (2015: nil) of which $808,530 was payable at year end (2015: $Nil). The Fund has decided to pay $250,000 of the dividend from retained earnings and will pay the remaining $750,000 after a capital restructuring. The Company will convert the existing 30,000,000 voting participating shares to Class B common shares and create 7,500,000 Class A redeemable preferred shares, each having a par value of $0.10 to be distributed to the Fund's current Shareholders in proportion to their current holdings.

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.

9. Security deposits

The Fund holds a security deposit on behalf of First Commercial Center Limited of $85,017 (2015: $85,017). This amount is to be returned to the tenant upon the termination of the rental agreement.

10. 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 is as follows:

Loan	**Terms**	**2016**	**2015**
US Dollar loan due June 1, 2018	LIBOR plus 1.75% per annum		
Current portion		$ -	$ 392,365
Long-term portion		-	613,263
		$ -	**$ 1,005,628**

The loan was paid off in September 2016, when the Caribbean Bottling Co. Nassau building was sold.

Total interest charged to income amounted to $31,523 (2015: $30,125). Such amounts are included in finance costs on the consolidated statement of comprehensive income.

11. Administration

On April 1, 2014, Sterling Bahamas Limited ("Sterling Bahamas") was contracted 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. During the year, the Fund incurred $26,100 (2015: $31,900) of Administration fees.

12. 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 receivable under non-cancelable operating leases are as follows:

	2016	2015
Within one year	$ 884,003	$ 884,003
After one year but not more than five years	2,293,001	3,177,044
	3,177,004	**4,061,047**

13. 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.

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.

13. Risks associated with Financial Instruments, *(continued)*

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 10.

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:

2016

	Up to 3 months	3-6 months	Over 6 months	Total
Cash and cash equivalents	$ 1,268,288	$ -	$ -	$ 1,268,288
Other assets	491,925	5,247	101,414	598,586
	$ 1,760,213	**$ 5,247**	**$ 101,414**	**$ 1,866,874**
Current liabilities	$ 91,074	$ -	$ 85,017	$ 176,091
	$ 91,074	**$ -**	**$ 85,017**	**$ 176,091**

2015

	Up to 3 months	3-6 months	Over 6 months	Total
Cash and cash equivalents	$ 72,811	$ -	$ -	$ 72,811
Other assets	392,879	5,247	117,404	515,530
	$ 465,690	**$ 5,247**	**$ 117,404**	**$ 588,341**
Current liabilities	$ 345,849	$ 98,091	$ 281,200	$ 725,140
Long-term debt	-	-	613,263	613,263
	$ 345,849	**$ 98,091**	**$ 894,463**	**$ 1,338,403**

14. Related party transactions and balances

Related party transactions and balances are comprised of the following:

	2016	2015
Transactions:		
Property management fees	$ 82,053	$ 58,634
Property management commissions	20,989	25,270
Professional, consulting legal and advisory fees	83,350	28,150
Directors' fees	30,000	30,000
Administration fees	26,100	32,900
	$ 242,492	**$ 174,954**
Balances:		
Prepaid expenses	$ 106,908	$ 127,898
	$ 106,908	**$ 127,898**

The increase in property management fees is due to the increase in cost of living expenses. During the year, the Fund was retroactively billed for inflation adjustments for the years 2010 to 2015.