

Fortress Caribbean Property Fund Limited SCC

Annual Report 2017





Fortress Fund Managers is a Barbados-based investment manager. We have been providing top-ranked returns, open communication and accessible service to our clients since 1996.

We offer a range of funds and investment products to meet the needs of individuals and institutions. In each case, our main goal is to achieve consistent long-term returns for our clients. We do this by applying sound, disciplined processes to our investments in equities, fixed income and real estate. We offer products with global reach, as well as those that focus primarily on the Caribbean region.

Please feel free to contact us to learn more about this Fund, or any of our products.

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Fortress Caribbean Property
Fund Limited SCC

Investment Objectives & Fund Details

Fortress Caribbean Property Fund Limited SCC Limited is a closed-end investment company registered with limited liability in Barbados under the provisions of the Mutual Funds Act of Barbados. On October 1, 2013, the Fund was split into a segregated cell company with two classes of shares, namely the Value Fund and the Development Fund shares.

The investment objective of the Value Fund is to produce annual income and long term capital gains from a diversified portfolio of income producing properties in the Caribbean. It is expected that the Value Fund will pay out a minimum of 75% of its available distributable profits.

The investment objective of the Development Fund is to realise value in the medium term on its portfolio of development properties in the Caribbean, and return capital to shareholders. It is not expected that the Fund will pay a regular dividend. The Fund is authorised to invest in real estate, Caribbean listed shares or open-ended funds, foreign listed shares or open-ended funds, unlisted shares of Caribbean companies, and government securities.

FUND NAME:	Fortress Caribbean Property Fund Limited SCC	
FUND TYPE:	Closed-End Fund	
LAUNCH DATE:	August 20, 1999	
LAUNCH PRICE:	\$1.00 per share	
Warrants Exercise Price:	\$1.00 per share	
Secondary Offer Price:	\$1.20 per share	
10/15/2001		
Rights Issue Price:	\$1.40 per share	
03/10/2005		
POST SEGREGATION NO. OF SHARES OUTSTANDING:	VALUE FUND	DEVELOPMENT FUND
9/30/2017	55,652,768	54,349,890
NET ASSETS:		
9/30/2017	\$42,483,374	\$21,982,224
NET ASSETS VALUE PER SHARE:		
9/30/2017	\$0.76	\$0.41
SHARE PRICE:		
9/30/2017	\$0.45	\$0.15
STOCK EXCHANGE LISTINGS:	Barbados Stock Exchange (BSE) Trinidad & Tobago Stock Exchange (TTSE)	
MANAGEMENT EXPENSES:		
Manager:	0.75% per annum of the net assets of the Value Fund 0.375% per annum of the net asset of the Development Fund Progress fee of 2% of the net proceeds of any non-income generating property sold or leased at fair value	
Investment Advisor:	0.75% per annum of the net assets of the Value Fund 0.375% per annum of the net asset of the Development Fund Progress fee of 2% of the net proceeds of any non-income generating property sold or leased at fair value	
FUND VALUATIONS:	Monthly	
INDEPENDENT PROPERTY APPRAISALS:	Annually & Semi-Annually	
NAV QUOTATIONS:	Updated Monthly Internet: www.fortressfund.com	

Directors & Administrators

DIRECTORS

Sir Geoffrey Cave, K.A., C.B.E., B.C.H., L.L.D. (Hon) – Chairman
Sir Paul Altman, Kt., B.C.H., L.L.D.
C. Anthony Audain
Senator Sir Trevor Carmichael K.A., Q.C., G.C.M.
Maureen Davis
Terry Hanton
H.C. Algernon Leacock
John Williams

BANKER

CIBC FirstCaribbean International Bank
(Barbados) Limited
Broad Street
Bridgetown
St. Michael
Barbados

ATTORNEY AT LAW

Clarke Gittens Farmer
Attorneys-at-Law
Parker House
Wildev Business Park
Wildev Road
St. Michael
Barbados

INDEPENDENT AUDITORS

Ernst & Young
One Welches
Welches
St. Thomas
Barbados

INVESTMENT ADVISOR & PROPERTY MANAGER

Altman Real Estate
Property Consultancy Services Inc.
Derricks, St. James
Barbados
Tel: 246-432-0840
Internet: www.altman.com
Email: pcsi@altmanbarbados.com

FUND MANAGER

Fortress Fund Managers Limited
First Floor, Carlisle House
Hincks Street
Bridgetown
Barbados

Tel: (246) 431 2198
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Internet: www.fortressfund.com
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COMPANY SECRETARY

Hanna M. Chrysostom
Broad Street
Bridgetown
St. Michael
Barbados

INDEPENDENT VALUER

Terra Caribbean
Somerley
Worthing
Christ Church
Barbados

INVESTMENT COMMITTEE

John Williams
H.C. Algernon Leacock
Roger Cave

AUDIT COMMITTEE

C. Anthony Audain
H.C. Algernon Leacock
John Williams

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

C. Anthony Audain
Senator Sir Trevor Carmichael K.A., Q.C., G.C.M.
H.C. Algernon Leacock



Directors' Report

“ we continue to explore all possible options to unlock and enhance shareholder value...”



Directors' Report

Chairman, Sir Geoffrey Cave

The Fortress Caribbean Property Fund Limited SCC (the Fund) had an improved year in 2017 but still experienced mixed results. The Value Fund recorded a profit attributed to the shareholders of \$1,609,928 while the Development Fund recorded a loss of \$2,025,335.

The Net Asset Value (NAV) of the Value Fund was down marginally to \$42.48 million (\$0.76 per share) after paying a dividend of \$0.035 per share in December 2016 which equates to a return of just under 3.2% for the year. The NAV for the Development Fund declined from \$24.03 million to \$21.98 million (\$0.41 per share) resulting in a - 8.5 % return.

Value Fund

The Value Fund had a much-improved year in 2017, recording a net profit to the cellular property fund shareholders of \$1.61 million compared to \$769,873 in 2016. Fair value losses dropped significantly from \$8.8 million in 2016 to \$623,119 in 2017. The fair value losses this year were primarily related to Carlisle House and No. 24 Broad Street. Carlisle House decreased in value by \$250,000 due to increased vacancy. With respect to No. 24 Broad Street, there were write-offs of \$473,119 due to much needed roof and other repairs. These costs unfortunately do not increase the property's value and have been written off to the profit and loss.

The investments in the Fund's main joint ventures, the CS&C Joint Venture and the Sunset Joint Venture produced solid results in 2017. The total earnings have declined due to the sale of the Carter's Properties in early 2017 and the excess cash of \$13.5 million has not yet been deployed.

The Value Fund still holds an investment in the BET Building Joint Venture which relates to a vendor's mortgage of \$6.5 million when the property was sold in late 2016. That payment is due on October 31st, 2018 and the Fund's share of that amount is \$3.7 million. It is expected that the BET Building Joint Venture will be wound up after that payment has been received and distributed.

The Chattel Village continues to perform very well with excess demand from potential tenants seeking rental space in Holetown. A proposal is currently under active consideration for the expansion of the number of units in the Chattel Village which will add to the range and quality of shopping and services available in Holetown.

New Opportunities

The Value Fund will be acquiring a 30% interest in a sale and leaseback transaction involving the Emerald City Supermarket in Six Roads. This joint venture

*Chattel Village*

investment will utilize approximately \$3 million of the Fund's cash and the projected equity returns will be close to 13% based on low interest rate loans now available. This transaction is expected to close before the end of 2017.

The partners have agreed on new lease terms for the CS&C Joint Venture for the Cave Shepherd Broad Street Building. This has resulted in lower rental rates but with extended maturity terms on the lease and other benefits which will help to protect the landlord's interest for this significant investment. The original loans that were taken to finance the purchase of the Carters & Cave Shepherd properties back in 2005 have now been fully repaid. We have agreed terms with a local commercial bank to refinance the Cave Shepherd Broad Street property at much lower rates than the previous loans. One of the partners has decided to exit the investment and the other partners will proportionately increase their investment in this joint venture. The Fund's interest will increase from 24% to 31%. The projected leveraged return for the equity holders of this property going forward will now be 11% per annum.

Leverage

The Value Fund's bond financing of \$10.58 million is unchanged from the previous year. The bond's series one amounts of \$3.02 million is due in July of 2018. There is flexibility for this series to be either repaid or rolled for a further three years. This decision will be made in early 2018 and will depend on the available investment opportunities for the Value Fund, as excess cash is a drag on returns until deployed.

Dividends

The Directors have declared a dividend of \$0.035 per share on the Value Fund share for the year ended September 30, 2017. The dividend equates to a 6.4% yield based on the trading price of the Value Fund shares of \$0.50 per share as at November 30, 2017.

Development Fund

The Development Fund had another disappointing year in 2017. The Fund recorded impairment losses of \$1.41 million more than double the previous year. Impairment losses were recorded on almost all the Development Fund's holdings in 2017 (see Note 6 of



Wotton Land

the consolidated financial statements) which indicates that the decline in real estate prices for non-income producing properties continues. It truly has been a lost decade for real estate in Barbados and St. Lucia since the financial crisis in 2008. We are fortunate that the Development Fund had not employed leverage for the acquisition of the development assets as is often the case when purchasing real estate, or the losses would have been significantly higher.

During the year a focused effort was made to engage with selected real estate agents to try and purposefully realize value from the assets in the Development Fund. We are pleased to report that this resulted in three agreed sales and one swap. The swap transaction closed during the financial year while the two sales are due to close before the end of 2017. We sold the Apes Hill lot which involved a swap where we purchased an additional Apes Hill Polo Villa unit. Our experience has shown that those units have rented well over the years which covers the carrying costs of holding the asset with a positive single digit return and this is preferable for the Development Fund's purposes.

The other committed sales were for the land at Lion Castle and at Rockley Cane Carden. These sales will produce net cash of \$2.27 million for the Development Fund which will provide needed cash flow for the resumption of share purchases on the stock exchanges.

As we have said previously, it is not in anyone's interest to passively erode shareholder value via carrying costs while there is limited scope for a meaningful rebound in the property market in the near term. It is also not in the interest of the long-term investor to "fire sale" assets in a very bad market. We believe that better progress was made in 2017. This strategy will continue although we would not have expected that four years since we split the Fund, and nine years since the financial crisis, that market conditions would have remained so difficult.

Trading of Shares

The Value Fund shares last traded at \$0.50 per share on the Barbados Stock Exchange which represents a 34% discount to the net asset value. While we had hoped the discount would have narrowed more given

the attractive dividend yield, the excess cash from the BET Building sale and the sale of the Carter's properties have resulted in a drag on the earnings yield of the Value Fund. With interest rates on commercial deposits now close to zero, the Value Fund shares remain an attractive opportunity with a high dividend yield and trading at significant discount to the Value Fund's NAV.

During the year 199,786 shares of the Development Fund were repurchased and cancelled. With the pending closure of the other two property sales, there will be cash available for additional repurchases.

The shares of both the Value Fund and Development Fund are listed on the Barbados and Trinidad Stock Exchanges. Both Funds continue to trade at wide discounts to NAV on the Barbados Stock Exchange (BSE) as shown in the table below

As at November 30th 2017, the trading prices and discounts to NAV were as follows:

	Share Price (30/11/2017)	NAV (30/9/2017)	Discount to NAV
FCPF SCC – Value Fund Shares			
	\$0.50	\$0.76	34%
FCPF SCC – Development Fund Shares			
	\$0.15	\$0.41	63%

Looking Forward

The global economy and world stock markets are both doing very well and many countries, including some in Europe, have recovered from the global financial crisis and are growing again.

Stock markets around the world continue to post significant gains with many markets now trading at all-time highs. In the United States (U.S.), employment levels are up and inflation rates are low. During the course of the year, U.S. interest rates began to rise but continue to hover near record low levels.

Equity valuations, bond prices and real estate values, particularly in Canada, are all stretched by long-term averages and the current bull market in equities in the U.S. is also on borrowed time based on historical trends. A recession and stock market correction will occur, but no one knows when and this puts pressure on real estate generally.

Real estate as an asset class in both the developed markets and many emerging market countries around the world, is performing well with many closed-end real estate funds trading at premiums to their net asset values. The situation here in the Caribbean is very different. Our real estate market continues to decline in terms of appraised values, as can be seen from the annual impairment losses that have been incurred by the Development Fund since 2008. The weak economy, increased costs and taxes, high government debt levels and serial declines in our credit ratings, have all resulted in a situation of a significant loss of investor confidence which is so crucial in making long-term investment decisions in acquiring real estate. There is also excess vacancy in the commercial property market segment especially in Bridgetown, Barbados. These vacancy levels are adding further pressure on rental rates which when combined with increasing costs are compressing yields and returns from commercial real estate, particularly for the oversupplied 'B' class segment. On the positive side, the removal of the minimum savings

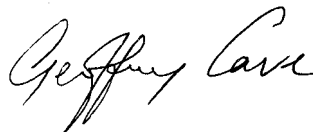
rate on deposits with commercial banks in Barbados has resulted in a significant decrease in local interest rates. We are therefore seeing very competitive mortgage and lending rates which are helping to boost or maintain overall leveraged returns and/or compensate for flat or reduced rental rates on commercial properties. It truly is a buyers'/renters' market.

The Value Fund's commercial property investments with long-term lease contracts will continue to produce attractive double digit returns for the Fund going forward. The Value Fund faces two main challenges however; (1) the high vacancy and pending redevelopment costs for Carlisle House, which may not result in immediate reductions in vacancy and therefore these costs could hit the bottom line, and (2) the drag on returns from excess cash pending reinvestment in suitable income producing properties that often are not easy to find and can involve lengthy periods to negotiate and execute.

The strategy to try and purposefully sell the assets in the Development Fund continues. The pending closure of the agreed sales in 2017 will provide management with resources to resume the repurchase of shares on the Barbados and Trinidad Stock Exchanges to narrow the discount of the shares relative to NAV.

This Fund has not met our return expectations since the financial crisis, as we have faced very difficult market conditions in Barbados. The timing of any genuine positive change in these conditions remains uncertain. Against this back-drop, we continue to explore all possible options to unlock and enhance shareholder value going forward and we are actively evaluating a number of strategic alternatives that will best achieve this objective.

We thank you, our shareholders, for your continued support.

A handwritten signature in black ink, reading "Geoffrey Cave". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Sir Geoffrey Cave
Chairman



Investment Advisors' Report

Investment Advisors' Report

Terry Hanton and Sir Paul Altman



The Fund faces difficult economic conditions in Barbados. Business confidence is low and the recent imposition of a Foreign Exchange Levy along with the significant increase in the National Social Responsibility Levy, have compounded the cost of doing business in Barbados.

Whilst record low bank lending rates have triggered new investment activities in commercial and residential properties, the Fund has found itself competing against private individuals for good yielding value fund opportunities. Many of these individuals are willing to invest at very low yields which the Fund cannot match. Nonetheless, we have had some success in acquisitions.

The BET Building and Carters sales were completed during the year, which has generated new cash for the Value Fund and resourced the Board's acquisition strategy for the Value Fund. As a result, the Value Fund has been able to enter into a joint venture to purchase the shopping complex at Emerald City on a sale and leaseback agreement at very attractive returns. Whilst this was not concluded in this financial year, the Purchase and Sale Agreement has been signed and the transaction should close before the next Annual General Meeting.

The Value Fund has also been able to increase its stake in the CS&C joint venture by the acquisition of part of the investment held by Massy Pensions who are exiting from the joint venture. The Value Fund still has cash resources and is examining three other excellent sale and leaseback opportunities. We anticipate that the Fund will be fully invested by mid-2018 and earning solid returns.

New lease agreements are being put in place for No. 24 Broad Street, the Cave Shepherd Main Store and Sunset Mall, which will lengthen the tenor of the leases and ensure solid returns from those assets for at least the next ten years.

We have been able to agree terms with the Sunset Crest Property Owners to expand the very successful Chattel Village, with the addition of six new shops, subject to planning consent.

As part of that negotiation, we have also been able to lengthen the lease of the Chattel Village complex, to 2033. Demand is extremely strong for the new stores as a result of the redevelopment of the adjacent Massy

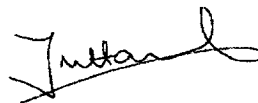
Supermarket without third party tenants. The removal of the boundary fencing between the Massy Supermarket and the Chattel Village has allowed us to capitalise on the adjacent parking to create a secondary entrance to the Village which should benefit all the existing tenants. Enhanced landscaping, paths, and an entry pergola will be completed in the coming weeks and will further enhance the visual appearance of the Chattel Village.

The Value Fund's investment in Carlisle House continues to be challenged by depressed trading in Bridgetown which has resulted in increased vacancy. In the new year, therefore, renovations will commence to enhance the building's competitiveness.

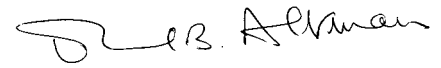
The Development Fund has achieved some success in disposing of assets in accordance with the directive to liquidate the Fund's assets and return cash to shareholders. The Worthing Great House in Rockley

has been sold; the Lion Castle lot has also been sold and a Villas on the Green (VOTG) unit is under contract for sale. All of these sales are taking place after the year end. There is strong interest in some of the other Rockley assets which we co-own and further interest in the remaining VOTG units. The recent purchase of the Cap Estate Golf Club by Sandals Resorts and their stated interest to renovate the golf course to championship standards, is expected to add market appeal to the 14-acre undeveloped site at VOTG and we hope will enhance its value.

The successful divestment of these Development Fund assets and the new Value Fund investments, point to a successful 2017 - 2018 financial year and the Investment Advisors are confident of increasing Fund returns despite the economic headwinds.



Terry Hanton



Sir Paul Altman

Corporate Governance

The Board of Directors of Fortress Caribbean Property Fund Limited SCC is committed to exercising corporate governance practices that enhance all stakeholders' value and promote the long-term growth and financial viability of the Company. The Company adheres to all legal and regulatory requirements, guidelines and recommendations applicable to it as outlined by the Barbados and Trinidad and Tobago Stock Exchanges and the Financial Services Commission and the Trinidad and Tobago Securities and Exchange Commission.

BOARD OF DIRECTORS & CORPORATE SECRETARY

The Board is comprised of knowledgeable and experienced directors. The maximum number of Directors permitted by the Company's By-Laws is ten (10) with a minimum of three (3). The Board currently consists of eight (8) members; five (5) of whom are non-executive and three (3) are independent.

The following outlines the biographical details, experience and shareholdings of the Directors:

Sir Geoffrey Cave,
KA, CBE, BCH,
Hon. LLD (UWI)
Non-Executive
Chairman
Born 1942



Sir Geoffrey Cave is currently Non-Executive Chairman of Fortress Caribbean Property Fund Limited SCC. Sir Geoffrey was first elected Chairman of the Board of Directors in 1999. He chairs the Boards of Cave Shepherd & Co. Limited, Fortress Fund Managers Limited, DGM Financial Group of Companies, Duty Free Caribbean (Holdings) Ltd, and Signia Financial Group Inc.

During the 2016 National Independence Honours, Sir Geoffrey was bestowed with the title of Knight of St. Andrew for his "outstanding contribution to business". Sir Geoffrey served as an Independent Senator of Barbados in the Upper House from October 2009 until February 2013.

In 2007, the University of the West Indies conferred on him an Honorary Degree of Doctor of Laws (LLD) and in the Queen's New Year's Honours List in 2003, he was appointed Commander of the Most Excellent Order of the British Empire. His distinguished career in business in Barbados and the region was recognized in 2001 when he was honoured with the Caribbean Master Entrepreneur Award.

Sir Geoffrey holds a Bachelor of Commerce from McGill University in Canada..

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Non-Executive Chairman

DATE OF FIRST ELECTION
1999

John M. B. Williams,
FCA
Non-Executive
Director
Born 1959



John Williams was appointed to the Board of Fortress Caribbean Property Fund Limited SCC in 2007. He is a member of the Audit and Investment Committees.

Mr. Williams currently serves as Chief Executive Officer and Director for Cave Shepherd & Co. Limited. Mr. Williams serves as a Director on the Boards of Bridgetown Cruise Terminal Inc., DGM Financial Group of Companies, Duty Free Caribbean (Holdings) Ltd, Signia Financial Group Inc. and Fortress Fund Managers Limited.

Mr. Williams has over 25 years' experience in senior management positions in both services and manufacturing industries. In 2011, he was appointed Chairman of the Barbados Private Sector Association, a position he held until January 2014. Previously, he has served as President of the Barbados Chamber of Commerce and Industry and Deputy President of the Institute of Chartered Accountants of Barbados.

He is a fellow of the Institute of Chartered Accountants of England and Wales (FCA) and the Institute of Chartered Accountants of Barbados (ICAB).

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Non-Executive Director

DATE OF FIRST ELECTION
2007

Board of Directors & Corporate Secretary

Sir Paul Altman
GCM, BCH, JP,
Hon. LLD (UWI)
Non-Executive
Director
Born 1948



Sir Paul Altman has served on the Board of Fortress Caribbean Property Fund Limited SCC since 1999.

Mr. Altman serves as director on a number of companies including Altman Real Estate, Limegrove Lifestyle Centre, and Insurance Corporation of Barbados Limited. He also serves as the Chairman of the Campus Council of the University of the West Indies, Cave Hill Campus. He is a Past President of the Barbados National Trust and is now a member of the Task Force on the Preservation of Barbados' Built Heritage.

He has been involved in real estate for the past 40 years and in recent years, has been at the forefront of developments in the luxury residential market. He was instrumental in the highly successful Royal Westmoreland golf residential community, where he held the Deputy Chairman.

In 2016, he was honoured with the title of Knight Bachelor, as part of the British Honours System, for services to the preservation of historic buildings and real estate development.

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Non-Executive Director

DATE OF FIRST ELECTION
1999

C. Anthony Audain,
B.A. LL.B, MBA
Independent
Director
Born 1953



Anthony Audain joined the Board of Fortress Caribbean Property Fund Limited SCC in 2006. He is Chairman of the Audit and Corporate Governance & Nomination Committees.

Mr. Audain currently serves as a Director on DGM Financial Group of Companies. Mr. Audain was the Chief Executive Officer of the Nation Group of Companies until September, 2008.

He is the Managing Partner of Aastra Law Chambers and heads its Commercial, Corporate Law and Value Added Tax (VAT) Practice. His practice is directed at advising public corporations, officers, directors and insurers on a range of legal issues.

He holds a Masters in Business Administration from Cranfield School of Management in the United Kingdom.

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Independent Director

DATE OF FIRST ELECTION
2006

Maureen D. Davis
Non-Executive
Director
Born 1964



Maureen Davis joined the Board of Fortress Caribbean Property Fund Limited SCC in 1999.

Ms. Davis currently serves as Director of Cave Shepherd & Co. Limited and Tourism Development Corporation and is a Council Member of the Barbados Museum and Historical Society.

She is currently the Chief Development Officer of Duty Free Caribbean (Holdings) Ltd, a position she has held since that company's formation in 2000.

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Non-Executive Director

DATE OF FIRST ELECTION
1999

Board of Directors & Corporate Secretary

Sir Trevor Carmichael
KA, LVO, QC
Independent Director
Born 1945



Sir Trevor Carmichael joined the Board of Fortress Caribbean Property Fund Limited SCC in 1999. He is a member of the Corporate Governance & Nomination Committee.

Sir Trevor serves as director on a number of boards including Insurance Corporation of Barbados Limited, First Citizens Bank (Barbados) Limited and First Citizens Investment Services (Barbados) Limited.

Sir Trevor was called to the Middle Temple Bar in London and the Barbados Bar. He is a member of the International Bar Association and a Committee member of the Inter-American Bar Foundation as well as an associate member of the Canadian Bar Association. He also holds membership in the International Tax Planning Association.

Sir Trevor was knighted in the 2013 Independence Honours List and he also serves as an Independent Senator in the Senate of Barbados.

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Independent Director

DATE OF FIRST ELECTION
1999

Terence M. Hanton
F.C.A, MRICS
Non-Executive Director
Born 1955



Terence Hanton joined the Board of Fortress Caribbean Property Fund Limited SCC in 1999.

Mr. Hanton currently serves as a Director of the DGM Financial Group of Companies. He is a Chartered Accountant and Chartered Valuer who specialises in consultancy services to the real estate and hospitality sectors in Barbados. He has over ten (10) years experience in conducting valuations for residential and commercial properties.

Mr. Hanton is also a member and accredited valuer of the Barbados Estate Agents & Valuers Association (BEAVA) and previously held the position of vice president of this organisation.

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Non-Executive Director

DATE OF FIRST ELECTION
1999

H.C. Algernon Leacock
B. Comm., MBA
Independent Director
Born 1957



Algernon Leacock joined the Board of Fortress Caribbean Property Fund Limited SCC in 2009. He is a member of the Audit, Corporate Governance & Nomination and Investment Committees.

Mr. Leacock serves as director on several boards including Trident Insurance Company Limited, Queen Elizabeth Hospital and Sansa Corporation (Barbados) Inc.

He holds a BA in Economics from the University of Western Ontario, London, Canada, a B. Comm from the University of Windsor, Windsor, Canada and an Executive MBA from the University of the West Indies, Cave Hill Campus.

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Independent Director

DATE OF FIRST ELECTION
2009

Hanna M. Chrysostom,
LLB, MBA
Group Corporate Secretary
Born 1977



Hanna Chrysostom was appointed as Corporate Secretary of Fortress Caribbean Property Fund Limited SCC in 2013. She is responsible for ensuring the integrity of the Property Fund's governance framework and as In-House Counsel, she also offers legal and regulatory advice on matters and conducts legal research for the benefit of the Company.

Ms. Chrysostom is admitted to practice as an Attorney-at-Law in Barbados and Trinidad & Tobago. She has had a diverse legal career with over ten (10) years of experience in corporate and commercial law, and litigation. She has worked in private practice and as in-house counsel for a major international telecommunications company.

She holds a Master of Business Administration from the University of Durham, UK.

NATIONALITY
Trinidadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Corporate Secretary

DATE OF FIRST ELECTION
2013

Directors' Shareholdings

Directors' shareholdings in Fortress Caribbean Property Fund Limited SCC as at September 30th 2017 and as at December 14th 2017 are as follows:

	Shares as at 30-Sep-17	Shares as at 14-Dec-17	Shares as at 30-Sep-17	Shares as at 14-Dec-17
	Value Fund Shares	Value Fund Shares	Development Fund Shares	Development Fund Shares
R. G. Cave	32,000	32,000	32,000	32,000
J.M.B. Williams	17,000	17,000	17,000	17,000
P. Altman	659,920	659,920	659,920	659,920
C.A. Audain	26,000	26,000	26,000	26,000
M. Davis	21,506	21,506	21,506	21,506
T. Carmichael	26,333	26,333	26,333	26,333
T. Hanton	7,200	7,200	7,200	7,200
H.C.A Leacock	NIL	NIL	NIL	NIL

Note: There was no change in directors' shares between the period October 1st 2017 and December 14th 2017.

BOARD OPERATIONS

The Board's key responsibilities which it exercises through decision making and oversight are strategic planning, risk management, succession planning, shareholder communications and public disclosures, corporate governance, legal and regulatory compliance and performance evaluations. The position description for the Chairman is clearly defined.

The Board determines its own organisation. The Board has Audit, Corporate Governance & Nomination and Investment Committees to assist it in fulfilling its duties.

During 2017 the Board had three (3) formal meetings. The Board manages an annual schedule of critical items designed to ensure that it fulfils its obligations. The Board reviewed and approved financial statements, final dividend payments, various Company policies and procedures and investment opportunities for the Company. The Board also reviewed and managed Company risk and received reports on the work carried out by its Audit, Corporate Governance & Nomination and Investment Committees.

Directors' record of attendance at Board and Committee meetings are reflected in the table below:

	Board Meetings	Audit Committee Meetings	Corporate Governance & Nomination Committee Meetings	Investment Committee Meetings	Total
R. G. Cave	3/3				3/3
J.M.B. Williams	3/3	2/2		5/5	10/10
P. Altman	3/3				3/3
C.A. Audain	3/3	2/2	2/2		7/7
M. Davis	3/3				3/3
T. Carmichael	3/3		1/2		4/5
T. Hanton	3/3				3/3
H.C.A. Leacock	3/3	2/2	2/2	5/5	12/12

ONGOING DIRECTOR DEVELOPMENT

During 2017 ongoing Directors' education focused on anti-money laundering and terrorist financing and implementation of the Barbados Stock Exchange Corporate Governance Recommendations. The Board is committed to ongoing education of its Directors.

BOARD EVALUATIONS

In 2017 the Board undertook its annual performance evaluation. The Board delegated this function to the Corporate Governance & Nomination Committee with the assistance of the Corporate Secretary. The performance evaluation addressed the performance and effectiveness of the individual directors and the Board's performance as a whole.

The performance evaluation was conducted electronically and results of the survey were submitted by each Director on a confidential basis to the Corporate Secretary who compiled a report. The survey confirmed that the Board is operating effectively and the report was submitted to the Board for discussion.

BOARD COMMITTEES

There are three (3) committees of the Board – the Audit Committee, the Corporate Governance & Nomination Committee and the Investment Committee. These Committees play an integral part in the governance process of the Company in that they assist the Board with the proper discharge of its functions by providing an opportunity for more in-depth discussions. The Committees are required to regularly report back to the Board on findings, assessments and proposed courses of action. The position descriptions for the Chairmen of the Committees are clearly defined.

THE AUDIT COMMITTEE

Members: C. Anthony Audain, Chairman
H.C. Algernon Leacock
John M.B. Williams

The majority of the members of the Audit Committee are independent directors. An independent member is an

individual who meets the independence requirements of the Company's Corporate Governance Policy. The majority of members are financially literate with a sound understanding of the accounting principles and who possess the experience in analyzing and evaluating financial statements. During 2017, the Audit Committee undertook training which focused on the developments in the presentation of financial statements and the key consideration and optimal approaches to reviewing and interpreting financial statements. In addition, the Audit Committee also received a refresher course on its governance role in the Company.

The Audit Committee assists the Board in overseeing the external audit process and managing all aspects of the relationship with the External Auditors. It provides a direct channel of communication between the Auditors and the Board and assists the Board in ensuring that the audit is conducted in a thorough, objective and cost-effective manner. The Committee also reviews interim and audited financial statements and oversees the Internal Audit function, reviewing the Internal Auditor's assessment of the adequacy and effectiveness of the Property Fund's internal controls, legal and regulatory compliance and risk management.

AUDIT COMMITTEE OPERATIONS

The principal business for 2017 included:

- Reviewing and approving the external audit plan and timetable and approving external audit fees;
- Reviewing and approving the internal audit plan and approving internal audit fees;
- Reviewing and recommending for approval to the Board interim and annual audited financial statements;
- Reviewing and recommending to the Board for amendment the Risk and Operational Risk Policies;
- Reviewing and recommending to the Board for amendment the Audit Committee's Charter;
- Reviewing and recommending to the Board for amendment the Chairman, Position Description; and
- Conducting its annual performance evaluation.

AUDIT FEES

Audit Fees for the Property Fund are as follows:

	2017 (000's)	2016 (000's)
Audit fees	\$40	\$40
Tax fees	\$6	\$6
TOTAL	\$46	\$46

THE CORPORATE GOVERNANCE & NOMINATION COMMITTEE

Members: C. Anthony Audain, Chairman
Sir Trevor Carmichael
H.C. Algernon Leacock

The members of the Corporate Governance & Nomination Committee are independent directors. An independent member is an individual who meets the independence requirements of the Company's Corporate Governance Policy.

The Corporate Governance & Nomination Committee develops and recommends to the Board policies and procedures to establish and maintain good corporate governance practices. The Committee is also responsible for reviewing and advising the Board on the nomination and appointment of Directors and assists the Board in creating a culture of honesty, integrity, transparency and accountability.

CORPORATE GOVERNANCE & NOMINATION COMMITTEE OPERATIONS

The Committee's principal business for 2017 included:

- Review and recommending to the Board for amendment various Company policies and the Board Mandate and Corporate Governance & Nomination Committee Charter;
- Reviewing compliance with legal and regulatory requirements;
- Overseeing and conducting the Board and Committee performance evaluations.

THE INVESTMENT COMMITTEE

Members: H.C. Algernon Leacock, Chairman
John M.B. Williams
Roger M. Cave

The members of the Investment Committee are comprised of Board members and a representative of Fortress Fund Managers Limited.

The Investment Committee assists the Board with its oversight of the investment function of the Property Fund. The Committee evaluates investment, acquisition, joint venture and divestiture transactions in which the Property Fund engages as part of its investment strategies for the Development and Value Funds.

INVESTMENT COMMITTEE OPERATIONS

The Committee's principal business for 2017 included:

- Reviewing and recommending to the Board, various investment opportunities;
- Reviewing and recommending to the Board for amendment the Investment Committee Charter and Policy; and
- Conducting its annual performance evaluation.

Value Fund



The CWBET Building

Location - Wildey, Barbados
Fair Market Value - \$16.5 million (2016)
Tenantable Space - 68,235 square feet (main building)
Property Type - Commercial

The Fund holds a 57% interest in the BET Building Joint Venture, a vehicle which owned the BET Building in Wildey, Barbados, previously occupied by Cable & Wireless under a long-term lease.

In 2016 the BET Building Joint Venture concluded an agreement for the sale of the property for a gross consideration of \$16.5 million and net proceeds of BBD \$14.7 million. On the closing date of December 1, 2016 the Joint Venture received an immediate payment from the purchaser of \$10 million, less closing costs, and has taken a vendor's mortgage for the balance of \$6.5 million due December 1, 2018. The purchaser is Era Educational Services DMCC, a company incorporated in Dubai and registered as an external company under the Companies Act.

The property was included in the 2016 financial statements at agreed selling price and a provision was made for selling costs. On completion of the sale the net loss to the Joint Venture after fees and expenses in 2017 is \$47,205 (2016 - \$4.1 million). Fortress Caribbean Property Fund Limited SCC - Value Fund shared in this transaction to the extent of its 57% shareholding in the Joint Venture.

The transaction provided the Fund with immediate cash resources to reinvest in long-term, revenue-generating real estate assets.

The Joint Venture continues to receive lease payments of \$150,000 per annum for the part of the BET Building property that houses the cellular tower until December 1, 2018.



Sunset Mall

Location - Sunset Crest, St. James
Fair Market Value - \$12.5 million (entire joint venture)
Property Type - Commercial Building

The Fund invested \$936,000 for 24% of the equity in a joint venture, which owns a mall in Sunset Crest, St. James. The purchase was completed during the year 2009 and the property was rented on a 10-year lease, with an option to extend for a further five years, to Duty Free Caribbean with annual rent increments.

The building was renovated in 2012 and underwent a major repair of the roof in readiness for a solar photovoltaic project which has reduced the tenants' operating costs significantly. The property has increased in value to \$12.5 million (2016 - \$10.25 million).

During the year the Fund's proportionate share of the joint venture's net income, including fair value gains, amounted to \$712,308 (2016 - \$349,204).



No. 24 Broad Street

Location - Bridgetown, Barbados
 Fair Market Value - \$8.75 million
 Tenatable Space - 14,000 square feet
 Property Type - Commercial

No. 24 Broad Street is in the centre of Bridgetown. It encompasses 14,000 square feet of office and retail space. The building was leased on a triple net basis to Duty Free Caribbean who sublets the ground floor to Colombian Emeralds International on a seven-year lease which ended in August 2016 and has now been extended to 2021. The lease renewal came with a landlord commitment to renovate the washrooms, entrance foyer, stairwells and circulation space as well as to replace the elevator. The renovation was completed, and work is on-going to replace all roof sheets and to improve roof drainage. At the year-end \$473,119 had been spent with an estimated cost to complete of \$124,089.

The Fund received \$995,923 (2016 - \$993,645) in rental income in the year.

The valuers have maintained the value of the property at \$8.75 million but as a result of the renovation works there was a fair value loss of \$473,119 (2016 - \$104,829 gain).



Chattel Village

Location - Holetown, Barbados
 Fair Market Value - \$1.3 million
 Tenatable Space - 8,000 square feet
 Property Type - Commercial

The Chattel Village has proven to be a very durable asset of the fund and a solid performer. Located in the heart of Holetown on the West Coast it is highly in demand by prospective tenants and remains fully tenanted, with a strong wait list. During 2017 the adjacent Massy supermarket was demolished and rebuilt. It reopened in November 2017 to great acclaim. It has no third-party tenants and therefore tenants were displaced, making the Chattel Village even more appealing to businesses. The parking for the new store is to the immediate north of the Chattel Village and there is no fencing or hedging between the two properties. As such there has been an immediate positive impact on footfall. The boundary between the two properties will be beautified and new paths created in early 2018.

The property earned gross rental income of \$556,000 (2016 - \$549,000) as the property was fully occupied during the year.

The property is leased from Sunset Crest Property Owners Inc. until August 2026. Heads of terms have been signed to extend the lease to 2033, and permission has been sought from the Town and Country Development Planning Office to expand the village to the south with the addition of six new shops.

This is a leasehold interest and the valuer increased the value to \$1.3 million resulting in a fair value gain of \$100,000 (2016 - \$25,000).



Carter's Buildings (2016) and Cave Shepherd Building

Location - Various locations, Barbados
 Fair Market Value - \$52.5 million, Cave Shepherd only (entire joint venture)
 Property Type - Commercial

The Fund holds a 24% interest in The CS&C Joint Venture, a real estate partnership, which owns land and buildings. The properties comprised the Cave Shepherd Main Store and three Carter's buildings (Wilkey, High Street and Barbarees Hill).

During the year the Carter's properties were sold back to Carter & Co Ltd. for a total price of \$22 million. The surplus funds from the sale were distributed to the partners.

The lease of the Cave Shepherd building in Broad Street commenced in 2005 and during the year an agreement has been reached to extend the lease to 2032. The joint venture will also take the opportunity to borrow against the building which will leverage the return on capital as borrowing rates are at an all-time low.

Over the past few years the building has been renovated through major capital projects including a new air conditioning system and a top floor renovation, replacement of the existing escalators, installation of additional downward bound escalators as well as upgrade of floors, ceiling and lighting. These capital works have transformed the property into the most modern retail facility in Bridgetown. It has met with widespread approval.

The Cave Shepherd property has increased in value to \$52.5 million (2016 - \$52 million), however during the year \$1.3 million was spent on the capital works resulting in a fair value loss of \$0.77 million (2016 - \$2.95 million gain).

The Fund has agreed to purchase its pro-rata share of the 24% interest in the joint venture now owned by one of the partners who has expressed a willingness to exit the joint venture. The purchase will be at book value and the Fund's interest in the CS&C Joint Venture will increase to 31.6%

During the year ended September 2017 the Fund's proportionate share of the joint venture's net income (including fair value gains/losses) amounted to \$1.1 million (2016 - \$2.7 million).



Carlisle House

Location - Bridgetown, Barbados
 Fair Market Value - \$10 million
 Tenantable Space - 42,490 square feet
 Property Type - Commercial

The property earned \$1.27 million in gross rents, (\$1.56 million - 2016) and net income from this property decreased to \$0.49 million from \$0.74 million in 2016. The valuers decreased the property value to \$10 million from \$10.25 million. The main reason for the decrease in value is a reduction in occupancy.

Occupancy of the building is now less than 50% and the building is in need of a renovation if it is to become better occupied. A renovation of the building will take place in 2018.

Development Fund



Apes Hill Polo Villas 3 & 18

Location - Waterhall, Barbados
Unit 3 - Carrying Value - \$1.18 million
Unit 18 - Carrying Value - \$1.24 million
Property Type - Residential Unit

In 2008 the Fund purchased unit 3, a three bedroom villa overlooking the polo field at Waterhall, St. James for \$1.4 million. It is furnished and is available for sale. The property has been leased and the rent assists in defraying the holding costs and makes a small return.

In 2017 the Fund acquired unit 18 in part exchange for the sale of its land lot at Apes Hill. The unit is rented and producing a return. At year end independent valuations were performed and the units (excluding furniture) were appraised at \$1.25 million each.

The properties, including furniture, were tested for impairment, and are included at their net realisable values of \$1.18 million and \$1.24 million respectively.



Apes Hill Land

Location - Apes Hill, Barbados
Carrying Value - \$805,000 (2016)
Property Type - Undeveloped Residential Lands

This lot was sold during the year for its 2016 appraised value resulting in a small gain of \$28,125.



Holder's Site

Location - St. James, Barbados
Carrying Value - \$1.15 million
Size - 158,000 square feet
Property Type - Residential

This 3.5-acre site has expansive views over Holder's Polo Field, the Sandy Lane Green Monkey Golf Course and the west coast. The Fund has no immediate plans for the property.

The valuers reduced the appraised value from \$1.5 million to \$1.25 million. Based on this valuation the real estate available for re-sale is included at its net realisable value of \$1.15 million resulting in an impairment loss of \$230,000 (2016 - nil).



Villas on the Green

Location - Cap Estate, St. Lucia
 Carrying Value - \$5.14 million
 Property Type - Residential Development

The Fund acquired an 18 acre site adjacent to the third and seventh hole at the Cap Estate Golf Club in St. Lucia in 2008. The Fund developed 20 townhouses on part of the site and the additional lands remain vacant.

During the financial year no units were sold but since the year end one unit has gone to contract. There are currently six units owned by the Fund which will be reduced to five when the sale is completed. Of these four are rented, and the last one is the show unit. The remainder of the site comprises 13.8 acres of vacant land.

Sandals Resorts acquired the adjacent St Lucia Golf Club in mid-2017 and have announced ambitious plans to renovate the golf course to international championship standards. This is likely to have a positive impact on this beautiful golf frontage site.

Real estate available for re-sale is carried at lower of cost or net realisable value. The valuers maintained the appraised land value at US\$1.3 million while reducing the two and three-bedroom townhouses from US\$250,000 and US\$320,000 to US\$225,000 and US\$290,000 respectively. Based on these values the Villas on the Green property was subsequently adjusted to its net realisable value resulting in an impairment loss of \$326,211 (2016 - \$227,066) being recognised.



Wotton Lands

Location - Wotton, Barbados
 Carrying Value - \$5.34 million
 Property Type - Undeveloped Commercial Lands

In 2008 the Fund completed the purchase of 6.2 acres of land on the ABC Highway with permission for offices. Planning approval has been received to subdivide the property into six lots. The lots are now being marketed for sale individually.

The valuers reduced the appraised value from \$6.0 million to \$5.8 million. Based on this valuation the real estate available for re-sale is included at its net realisable value of \$5.336 million resulting in an impairment loss of \$0.184 million (2016 - nil) being recognised.



Rockley Cane Garden

Location - Rockley, Barbados
 Carrying Value - \$1.75 million
 Property Type - Undeveloped Lands

This asset was sold after the year end at a price of \$1.9 million. It is carried on the books at its estimated net realisable value being the purchase price less an estimated 8% for selling costs.



Limegrove Hillside Villa

Location - Limegrove, Barbados
 Carrying Value - \$1.06 million
 Property Type - Residential Unit

The Fund owns Limegrove Hillside Villa 6. The unit is available on the rental and sale market.

At year end an independent valuation was performed on the villa and the valuers reduced their appraised value to \$1.15 million. Based on this valuation the real estate available for re-sale is recorded at its net realisable value of \$1.06 million resulting in an impairment loss of \$92,000 (2016 - nil) being recognised.



Rockley Central Area

Location - Rockley, Barbados
 Carrying Value - \$1.84 million (entire joint venture, remaining land)
 Property Type - Undeveloped Lands

The Rockley Joint Venture is a 50:50 joint venture with Dowding Estates and Trading Company Ltd. The joint venture presently owns the central facilities site, having sold the Worthing Great House site to the Fund.

The 2.5-acre site, formerly the central facilities location and tennis centre, remains undeveloped.

Real estate available for re-sale is carried at lower of cost or net realisable value. The valuers reduced the valuation of the site to \$2 million. Based on the valuation, the Rockley Central facilities are included in the Fund at 50% of its net realisable value, being \$920,000.



Lower Estate Lands

Location - Lower Estate, Barbados
 Carrying Value - \$7.5 million (entire joint venture, unsold lands)
 Property Type - Commercial

The Fund holds a 24% interest in these lands through the CS&C Joint Venture. It is a 13 - acre site in Lower Estate subdivided, with roads and services, into 16 lots. Two subdivided lots have been sold.

The lands are included in the books of the joint venture as real estate available for re-sale at adjusted cost since the lots are being actively being marketed for resale. The Fund's interest in the land at September 2017 is \$1.8 million.



Canouan Land

Location - Canouan Island, St. Vincent & The Grenadines
 Carrying Value - US\$3.0 million (entire site)
 Property Type - Undeveloped Residential Lands

The Fund purchased a 35% interest in this 3.92 acre site with spectacular views of the Grenadines.

The land has been classified as an investment in an associated company and is carried at cost which is lower than its net realisable value. The Fund's portion of the cost is BBD \$3.0 million. The property is being offered for sale by Canouan Realty at a price of U\$9.5 million.



Lion Castle Lot 21

Location - Lion Castle, Barbados
 Carrying Value - \$529,000
 Property Type - Undeveloped Residential Lands

This lot was sold after the year end at a price of \$575,000. At the year end, it is carried on the books at its estimated net realisable value being the purchase price less an estimated 8% for selling costs. This has resulted in an impairment loss of \$197,800 being recognised in the year even though the sale closed after the year end.



Financial Statements

December 15, 2017

The Board of Directors
Fortress Caribbean Property Fund
Carlisle House
Bridgetown

Dear Members of the Board,

As instructed we have conducted appraisals of the properties of the Fortress Caribbean Property Fund and we have formed an opinion of their Fair Values as at July 31, 2017. In accordance with the International Accounting Standards Board (IASB) -IFRS 13, Fair Value is defined as:

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We understand that you will be using these values to calculate the net asset value of the fund as at the valuation date. We have assumed that all information provided by the Property Managers representing the Fund is accurate and this information has been included in our report. Our opinion is subject to the limiting conditions attached to the detailed reports.

Generally, the three accepted approaches for estimating market value of real property have been applied. These indicators of value were reconciled to arrive at the final value estimate for each property. In the case of the leasehold property, Chattel Village, the net economic benefit of the lease was capitalized in order to estimate the value.

The properties appraised were:

- Broad Street 24
- Carlisle House
- Chattel Village

In our opinion, the combined market value of the above listed properties at the effective date is **BDS \$20,050,000.**

Sincerely,

A handwritten signature in black ink, appearing to read "A. Mallalieu".

Andrew W. Mallalieu, MRICS, CPA
Chief Executive



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PROPERTY FUND SCC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Fortress Caribbean Property Fund SCC and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 September 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* 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 of the current period. 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PROPERTY FUND SCC

Report on the Audit of the Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
Valuation of investment properties and real estate available for resale	
<p>In the Value Fund approximately 56% of the total assets are investment properties. Investment properties are measured at fair value, as determined by a specialist engaged by management.</p> <p>Approximately 76% of the total assets of the Development Fund are real estate available-for-sale. Real estate available-for-sale is measured at the lower of cost and net realizable value.</p>	<p>We assessed the valuation reports prepared on behalf of management to obtain comfort that the methodology and assumptions used in the valuation were reasonable. This included involving an EY expert to assist with the review. The underlying data used in the valuations was also tested. The disclosure requirements were also tested.</p>

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PROPERTY FUND SCC

Report on the Audit of the Consolidated Financial Statements (Continued)

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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 skepticism 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.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PROPERTY FUND SCC

Report on the Audit of the Consolidated Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FORTRESS CARIBBEAN PROPERTY FUND SCC

Report on the Audit of the Consolidated Financial Statements (Continued)

Other Legal and Regulatory Requirements

This report is made solely to the Group's shareholders, as a body, in accordance with Section 32 of the Mutual Funds Act of Barbados. Our audit work has been undertaken so that we might state to the Group's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner in charge of the audit resulting in this independent auditor's report is Mr. Rendra Gopee.

Ernst & Young Ltd
Bridgetown
BARBADOS
15 December 2017

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Financial Position

As at September 30, 2017

(expressed in Barbados dollars)

	Note	2017 \$	2016 \$
Value Fund			
Assets			
Investment properties	5	20,050,000	36,700,000
Investments in associated companies and joint arrangements	8	15,033,130	19,778,505
Loan receivable	11	6,500,000	—
Financial assets at fair value through profit or loss	9	—	8,000
Accounts receivable and prepaid expenses	12	689,182	553,370
Due from related parties	18	927,568	189,790
Cash and cash equivalents	10	13,534,056	8,294,962
Total assets		56,733,936	65,524,627
Liabilities			
Loans payable	14	10,580,000	10,580,000
Accounts payable and accrued expenses	13	325,054	2,304,528
Security and advance deposits		289,988	347,052
Total liabilities		11,195,042	13,231,580
Total assets less liabilities		45,538,894	52,293,047
Equity			
Capital and reserves attributable to the Fund shareholders			
Share capital	19	37,209,540	37,209,540
Retained earnings		5,273,834	5,611,752
Total shareholders' funds		42,483,374	42,821,292
Non-controlling interests	7	3,055,520	9,471,755
		45,538,894	52,293,047
Net asset value per share	20	0.76	0.77

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

Approved by the Board of Directors on December 15, 2017

 Director

 Director

Fortress Caribbean Property Fund Limited SCC


Consolidated Statement of Financial Position...continued

As at September 30, 2017

(expressed in Barbados dollars)

	Note	2017 \$	2016 \$
Development Fund			
Assets			
Real estate available for re-sale	6	18,309,377	19,099,771
Investments in associated companies and joint arrangements	8	4,835,960	4,864,046
Accounts receivable and prepaid expenses	12	447,303	464,335
Due from related parties	18	48,000	48,000
Cash and cash equivalents	10	51,725	547,719
Total assets		23,692,365	25,023,871
Liabilities			
Accounts payable and accrued expenses	13	479,644	530,872
Security and advance deposits		302,929	265,262
Due to related parties	18	927,568	189,790
Total liabilities		1,710,141	985,924
Total assets less liabilities		21,982,224	24,037,947
Equity			
Capital and reserves attributable to the Fund shareholders			
Share capital	19	28,626,291	28,731,519
Retained deficit		(6,644,067)	(4,693,572)
Total shareholders' funds		21,982,224	24,037,947
Net asset value per share	20	0.41	0.44

Approved by the Board of Directors on December 15, 2017

 Director

 Director

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Changes in Equity

For the year ended September 30, 2017

(expressed in Barbados dollars)

	Attributable to Fund shareholders		Non-	Total
	Share	Retained	controlling	
	capital	earnings	interests	
	\$	\$	\$	\$
Value Fund				
Balance at September 30, 2015	37,209,540	6,511,462	11,261,638	54,982,640
Dividends declared 3.0 cents per share (note 15)	—	(1,669,583)	—	(1,669,583)
Total comprehensive income/(loss) for the year	—	769,873	(1,789,883)	(1,020,010)
Balance at September 30, 2016	37,209,540	5,611,752	9,471,755	52,293,047
Dividends declared 3.5 cents per share (note 15)	—	(1,947,846)	—	(1,947,846)
Distributions to non-controlling interests (note 7)	—	—	(6,450,000)	(6,450,000)
Total comprehensive income for the year	—	1,609,928	33,765	1,643,693
Balance at September 30, 2017	37,209,540	5,273,834	3,055,520	45,538,894

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

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Changes in Equity...continued

For the year ended September 30, 2017

(expressed in Barbados dollars)

	Attributable to Fund shareholders		
	Share capital	Retained earnings	Total
	\$	\$	\$
Development Fund			
Balance at September 30, 2015	28,731,519	(3,498,562)	25,232,957
Total comprehensive loss for the year	—	(1,195,010)	(1,195,010)
Balance at September 30, 2016	28,731,519	(4,693,572)	24,037,947
Treasury shares (note 19)	(105,228)	74,840	(30,388)
Total comprehensive loss for the year	—	(2,025,335)	(2,025,335)
Balance at September 30, 2017	28,626,291	(6,644,067)	21,982,224

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Comprehensive Income/(Loss)

For the year ended September 30, 2017

(expressed in Barbados dollars)

	Note	2017 \$	2016 \$
Value Fund			
Revenue			
Net rental income	16	1,620,687	1,808,312
Fair value losses on investment property	5	(623,119)	(8,820,171)
Share of profit of investments accounted for using the equity method	8	1,854,625	3,079,283
Net gain on sale of investment property		47,205	—
Net gain on financial assets at fair value through profit or loss	9	15,611	—
Lease surrender fee		—	5,925,000
Interest income		33,745	33,441
Dividend income		2,750	64
Other income		8,820	9,960
Total investment income		2,960,324	2,035,889
Expenses			
Provision for selling costs of property		—	1,755,500
Interest expense		479,339	478,688
Fund management fees	18	315,701	324,458
Investment advisor fees	18	315,701	324,458
Professional fees		169,569	121,768
Directors and subcommittee fees	18	29,445	29,437
Office and administrative expenses		17,630	18,504
Impairment charge for receivables	12	(10,754)	3,086
Operating expenditure		1,316,631	3,055,899
Total comprehensive income/(loss) for the year		1,643,693	(1,020,010)
Attributable to:			
Cellular property fund shareholders		1,609,928	769,873
Non- controlling interests	7	33,765	(1,789,883)
Total comprehensive income/(loss) for the year		1,643,693	(1,020,010)
Earnings per share - basic and diluted	20	0.03	0.01

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

Fortress Caribbean Property Fund Limited

Consolidated Statement of Comprehensive Income/(Loss)...continued

For the year ended September 30, 2017

(expressed in Barbados dollars)

	Note	2017 \$	2016 \$
Development Fund			
Revenue			
Share of loss of investments accounted for using the equity method	8	(28,086)	(29,861)
Interest income		—	5,324
Other income		—	6,315
Total investment income		(28,086)	(18,222)
Expenses			
Impairment loss on real estate available for re-sale	6	1,405,394	481,444
Net carrying costs of real estate available for re-sale	17	257,238	323,251
Professional fees		133,231	116,705
Fund management fees	18	89,144	103,964
Investment advisor fees	18	89,144	103,964
Net (gain)/loss on sale of real estate available for re-sale	17	(28,125)	73,572
Directors and subcommittee fees	18	16,558	16,558
Office and administrative expenses		9,035	9,950
Interest expense		25,630	7,037
Impairment recovery for receivables	12	—	(59,657)
Operating expenditure		1,997,249	1,176,788
Total comprehensive loss for the year		(2,025,335)	(1,195,010)
Attributable to:			
Cellular property fund shareholders		(2,025,335)	(1,195,010)
Total comprehensive loss for the year		(2,025,335)	(1,195,010)
Loss per share - basic and diluted	20	(0.04)	(0.02)

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

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows

For the year ended September 30, 2017

(expressed in Barbados dollars)

	2017 \$	2016 \$
Value Fund		
Cash flows from operating activities		
Total comprehensive income/(loss) for the year	1,643,693	(1,020,010)
Adjustments for:		
Fair value losses on investment property	623,119	8,820,171
Share of loss of investments accounted for using the equity method	(1,854,625)	(3,079,283)
Net gain on sale of investment property	(47,205)	—
Net gain on financial assets at fair value through profit or loss	(15,611)	—
Impairment charge for receivables	(10,754)	3,086
Interest income	(33,745)	(33,441)
Interest expense	479,339	478,688
Dividend income	(2,750)	(64)
Operating income before working capital changes	781,461	5,169,147
Net increase in accounts receivable and prepaid expenses	(125,058)	(171,111)
Increase in loans receivable	(6,500,000)	—
Net (decrease)/increase in accounts payable and accrued expenses	(1,979,474)	1,873,402
Net decrease in security and advance deposits	(57,064)	(13,522)
Net increase in due to/from related parties	(737,778)	(93,343)
Proceeds on sale of investment properties	16,547,205	—
Additions to investment properties	(473,119)	(145,171)
Proceeds on sale of financial assets at fair value through profit and loss	23,611	—
Cash generated from operations	7,479,784	6,619,402
Interest received	33,745	33,441
Interest paid	(479,339)	(478,688)
Dividends received	2,750	64
Net cash generated from operating activities	7,036,940	6,174,219
Cash flows from investing activities		
Distributions from associated companies	6,600,000	—
Net cash generated from investing activities	6,600,000	—
Cash flows from financing activities		
Distributions to non-controlling interests	(6,450,000)	—
Dividends paid	(1,947,846)	(1,669,583)
Net cash used in financing activities	(8,397,846)	(1,669,583)
Net increase in cash and cash equivalents	5,239,094	4,504,636
Cash and cash equivalents - beginning of year	8,294,962	3,790,326
Cash and cash equivalents - end of year	13,534,056	8,294,962

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

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows...continued

For the year ended September 30, 2017

(expressed in Barbados dollars)

	2017 \$	2016 \$
Development Fund		
Cash flows from operating activities		
Total comprehensive loss for the year	(2,025,335)	(1,195,010)
Adjustments for:		
Share of loss of investments accounted for using the equity method	28,086	29,861
Net (gain)/loss on sale of real estate available for re-sale	(28,125)	73,572
Impairment recovery for receivables	—	(59,657)
Impairment loss on real estate available for re-sale	1,405,394	481,444
Interest income	—	(5,324)
Interest expense	25,630	7,037
Operating loss before working capital changes	(594,350)	(668,077)
Net decrease in accounts receivable and prepaid expenses	17,032	67,788
Net decrease in accounts payable and accrued expenses	(70,310)	(111,050)
Net increase/(decrease) in security and advance deposits	37,667	(655,652)
Net increase due to/from related parties	737,778	78,309
Net proceeds from sale of real estate available for re-sale	833,125	513,388
Purchase of real estate available for re-sale	(1,420,000)	—
Cash used in operations	(459,058)	(775,294)
Interest received	—	5,324
Interest paid	(6,548)	(249,167)
Net cash used in operating activities	(465,606)	(1,019,137)
Cash flows from financing activities		
Repurchase of shares	(30,388)	—
Repayment of loans	—	—
Net cash used in financing activities	(30,388)	—
Net decrease in cash and cash equivalents	(495,994)	(1,019,137)
Cash and cash equivalents - beginning of year	547,719	1,566,856
Cash and cash equivalents - end of year	51,725	547,719

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

1 Incorporation and principal activities

Fortress Caribbean Property Fund Limited (the Fund) was incorporated on May 7, 1999 and is registered under the Mutual Funds Act of Barbados as an authorised mutual fund. The Fund is a closed end fund. It commenced operations on August 20, 1999. These consolidated financial statements include the results the Fund and its subsidiaries, collectively known as the Group.

On September 24, 2013, at a special meeting of the shareholders of the Class “A” shares, the proposal to divide the Company into a segregated cell company was approved. As a result, effective October 1, 2013, the company was converted to a segregated cell company, Fortress Caribbean Property Fund Limited SCC (“the Fund”). The Fund is divided into two cells, Fortress Caribbean Property Fund - Value Fund (“the Value Fund”) and Fortress Caribbean Property Fund - Development Fund (“the Development Fund”). As at October 1, 2013 each share previously owned by the Class “A” shareholders has been replaced by one share in the Value Fund and one share in the Development Fund.

The split of the Fund into the two cells is reflected on the Barbados Stock Exchange, the Company’s primary exchange listing. The Fund’s shares are also traded on the Trading on the Trinidad and Tobago Stock Exchange. Each share trades independently.

The Fund maintains its registered office at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

The investment objective of the Value Fund is to produce annual income and long term capital gains from a diversified portfolio of income producing properties in the Caribbean. It is expected that the Value Fund will pay out a minimum of 75% of its available distributable profits annually.

The investment objective of the Development Fund is to realize value in the medium term on its portfolio of development properties in the Caribbean, and return capital to shareholders. It is not expected that the Fund will pay a regular dividend.

These consolidated financial statements have been authorised for issue by the Board of Directors on December 15, 2017.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS Interpretations Committee (IFRS IC) promulgated by the International Accounting Standards Board (IASB), applicable to companies reporting under IFRS. The consolidated financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain financial assets held at fair value through profit or loss and investment properties which are carried at fair value.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

a) Basis of preparation ...continued

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates. The areas involving a higher degree of judgement on complexity, or areas where assumptions and estimates are significant to the financial assets are disclosed in note 3.

Estimates and judgements 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.

New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning October 1, 2016 that would be expected to have a material impact on the Fund.

Standards, amendments and interpretations that are issued but not yet effective which may be relevant for the Fund's operations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Fund except the following:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is applicable from January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after October 1, 2018.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

a) Basis of preparation ...continued

- IFRS 16, 'Leases', was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The Fund is yet to assess IFRS 16's full impact and intends to adopt IFRS 16 no later than the accounting period beginning on or after January 1, 2019.

- Transfers of Investment Property – Amendments to IAS 40

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples. The Fund is yet to assess full impact of this amendment and intends to adopt no later than the accounting period beginning on or after January 1, 2018.

- IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Fund is yet to assess full impact of this amendment and intends to adopt no later than the accounting period beginning on or after October 1, 2011.

b) Consolidation

i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Fund has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between the Fund and its subsidiaries are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Fund's accounting policies.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

i) Subsidiaries...continued

The Fund's subsidiary holdings are set out below:

	2017	2016
Value Fund		
BET Building Joint Venture	57%	57%
Development Fund		
Fortress (St. Lucia) Limited	100%	100%
JK Holdings Limited	100%	100%

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Fund ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

ii) Associates

Associated undertakings and joint ventures are entities in which the Fund has significant influence but not control, generally accompanying a shareholding or interest of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Fund's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

ii) Associates...continued

share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Fund determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the consolidated statement of comprehensive income statement.

The Fund's associate holdings are set out below:

	2017	2016
Development Fund		
Contonou Shores Ltd.	35%	35%
Rockley Development Limited	50%	50%
Canouan CS&F Investments Limited	35%	35%

iii) Joint arrangements

The Fund has applied IFRS 11 to all joint arrangements as of October 1, 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Fund has assessed the nature of its joint arrangements and has determined to have both joint ventures and joint operations.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the Fund's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Fund does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Unrealised gains on transactions between the Fund and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Fund accounts for its share of the assets, liabilities, revenue and expenses of the joint operation.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

iii) Joint arrangements...continued

The Fund's joint arrangement holdings are set out as below:

	2017	2016
Value Fund		
Joint ventures		
The Sunset Joint Venture	24%	24%
The CS&C Joint Venture - account 1	24%	24%
Development Fund		
Joint ventures		
The CS&C Joint Venture - account 2	24%	24%
Joint operations		
Rockley Joint Venture	50%	50%

Following the split of the Company on October 1, 2013, into a segregated cell company, the assets of the joint arrangements were allocated to each cell based on the investment objective of each cell as well as the characteristics of the underlying properties of the arrangements. As a result certain properties within the CS&C Joint Venture were split between the Value Fund and the Development Fund. Together both cells own 24% of the CS&C Joint Venture.

c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Fund, its subsidiary and associated companies are measured using the currency of the primary economic environment in which the entities operates ("the functional currency"). The consolidated financial statements are presented in Barbados dollars which is the functional and presentation currency of the Fund.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the consolidated statement of comprehensive income as part of the fair value gain and loss.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Financial assets

The Fund classifies its investments into two categories:

- Financial assets at fair value through profit or loss
- Loans and receivables

Financial assets at fair value through profit or loss

i) Classification

The Fund's investments in equity securities and other mutual funds have been classified as financial assets at fair value through profit or loss in accordance with International Accounting Standards 39 (IAS 39), Financial Instruments: Recognition and Measurement.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of the managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

ii) Recognition, derecognition and measurement

Regular-way purchases and sales of investments are recognised on the trade date, which is the date a fund commits to purchase or sell the investments. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense. Investments are derecognised when the rights to receive cash flows from the investments have expired or a fund has transferred substantially all risks and rewards of ownership.

Investments in other investment funds are valued on the basis of the net asset value per share as determined by the administrators of those investment vehicles in accordance with industry practice.

All other financial assets at fair value through profit or loss are initially recognised at fair value and are subsequently carried at fair value based on quoted exit prices. In the absence of quoted exit prices, the last close price and other information including the quoted offer price is considered by the Manager to determine the appropriate fair value price to be used. In the event that a security held by a fund is unquoted, if unusual market conditions exist, or in the event that a particular security's value has become impaired, the Manager, and on advice of an independent broker, will make a reasonable estimate of the fair value price by using valuation techniques. These can include the use of recent arm's length transactions, reference to other instruments that are substantially the same or discounted cash flow analysis which make maximum use of market inputs and rely as little as possible on entity-specific inputs.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Financial assets...continued

Financial assets at fair value through profit or loss...continued

ii) *Recognition, derecognition and measurement...continued*

Gains or losses arising from changes in the fair value of securities classified as financial assets at fair value through profit or loss are recognised in the consolidated statement of comprehensive income as they arise. Average cost method is used to compute realised and unrealised gains on investments.

Dividend income is recognised in the statement of comprehensive income when the Fund's right to receive payment is established.

iii) *Fair value estimation*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The quoted market price used for financial assets held by the Fund is the current exit price; the quoted market price for financial liabilities is the current asking price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value.

A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the

same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

iv) *Transfers between levels of the fair value hierarchy*

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Financial assets...continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method less provision for impairment. A loan or receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees and the financial condition and viability of the borrower.

e) Accounting for leases

Leases in which a significant portion of the risk and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Where the Fund is the lessee, payments, including prepayments, made under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease. Where the Fund is the lessor, properties leased out under operating leases are included in investment property in the consolidated statement of financial position. Lease income is recognised over the term of the lease on a straight line basis.

f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment properties are treated as long-term investments. Investment property is initially measured at its cost including related transaction costs. After initial recognition investment property is carried at fair value. Fair value is determined semi-annually or annually by professional independent valuers. The professional valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. The valuations form the basis for the carrying amounts in the consolidated financial statements.

Investment properties are not subject to depreciation. Changes in the fair value of investment property are recorded in the consolidated statement of comprehensive income. Changes in the fair value of investment property related to foreign currency translation are also recognised in the consolidated statement of comprehensive income.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated statement of comprehensive income.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

f) Investment properties...continued

If investment property is reclassified as real estate available for re-sale, its fair value at the date of reclassification becomes its cost for accounting purposes.

If real estate available for re-sale is transferred to investment property, any difference resulting between the carrying value and the fair value of this item at the date of transfer is recognised in the consolidated statement of comprehensive income.

g) Real estate available for re-sale

Properties that are being held for future sale or in the process of construction or development for such sale are classified as real estate available for re-sale and are carried at the lower of cost or net realisable value. Subsequent costs are included in the properties' carrying value.

Net realisable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses. The carrying value is immediately written down to its recoverable amount if its carrying value is assessed to be greater than the estimated recoverable amount.

Gains and losses realised on the sale of real estate are included in the consolidated statement of comprehensive income at the time of sale.

h) Cash and cash equivalents

Cash equivalents are short term, highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to insignificant changes in value.

i) Accounts receivable

Accounts receivable are amounts due from customers for services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

j) Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and accrued expenses are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

k) Share capital

The Fund's two classes of cellular shares, the Value Fund shares and the Development Fund shares are classified as equity.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

k) Share capital...continued

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where the Fund re-purchases its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Fund's equity holders until the cellular shares are cancelled, re-issued or disposed of. The Fund's policy is not to keep shares in treasury, but, rather, to cancel them once repurchased.

l) Net asset value per share and earnings per share

The net asset value per share is calculated by dividing the net assets of each segregated cell by the number of outstanding cellular shares.

Earnings per share is calculated by dividing the net profit attributable to the cellular shareholders by the weighted average number of shares outstanding during the period. For the purpose of calculating diluted earnings per share the weighted average number of shares is adjusted for the effects of all dilutive potential cellular shares.

m) Dividends payable

Dividend distributions on the Fund's shares are recorded in the period during which the dividend declaration has been approved by the Board of Directors.

n) Revenue recognition

Interest income is recognised in the consolidated statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method.

Rental income is recognised on an accrual basis in accordance with the relevant rental agreements. Rental income is shown net of the direct property expenses incurred in managing the properties.

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

o) Taxation

The Fund is licensed as an authorised mutual fund under the Mutual Funds Act, 2002-22 of Barbados. The Directors have resolved that all of the net comprehensive income of the Fund is attributable to the Fund's cellular shareholders. In calculating the assessable income of the Fund for tax purposes, the Act provides for a deduction of up to 100% of the income that is designated to be the income of the Fund shareholders.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

p) Expenses

Expenses are accounted for on an accrual basis. Expenses are charged to the consolidated statement of comprehensive income. In addition to the management fees and administration expenses, the Fund is responsible for the payment of all direct expenses relating to its operations such as audit, legal and professional fees.

q) Management and advisor fees

Fortress Fund Managers Limited serves as manager and registrar of the Fund. As a result of providing investment advisory, management and registrar services, Fortress Fund Managers Limited receives a management fee based on the average net asset value of the Fund, calculated monthly and payable in arrears, at the rate of 0.75% per annum of the net asset value of the Value Fund and 0.375% per annum of the net asset value of the Development Fund. The manager receives a progress fee of 2% of the net proceeds of any non-income generating property sold or leased at fair market value within the Development Fund.

Altman Real Estate serves as investment advisor and property manager. As a result of providing investment advisory services, Altman Real Estate receives an advisory fee based on the average net asset value of the Fund, calculated monthly and payable in arrears, at the rate of 0.75% per annum of the net asset value of the Value Fund and 0.375% per annum of the net asset value of the Development Fund. The investment advisor receives a progress fee of 2% of the net proceeds of any non-income generating property sold or leased at fair market value within the Development Fund.

r) Loans payable

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors who makes the strategic decisions. The Board of Directors is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The asset allocation decisions are based on a single, integrated investment strategy, and the Fund's performance is evaluated on an overall basis.

t) Security and advance deposits

The Fund obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 12 months. Such deposits are treated as financial liabilities in accordance with IAS 39 and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

3 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the next financial year relate to the valuation of investment property and real estate held for re-sale. The fair value of these properties are determined annually by an independent professional valuer. Significant estimates and judgements in the estimation of values are disclosed in notes 5 and 6.

4 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (which includes price risk and interest rate risk), credit risk and liquidity risk. The risk management policies employed by the Fund to manage these risks are discussed below.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise the potential adverse effect on the Fund's financial performance.

The risk management policies employed by the Fund to manage these risks are discussed below.

The management of these risks is carried out by the Investment Manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

Market risk

i) Price risk

The Fund is exposed to market price risk arising primarily from the changes in equity prices. A summary of the overall consolidated statement of financial position market exposures at September 30, 2017 is disclosed in note 9.

Sensitivity

The effects of a change in equity prices for each fund's financial assets at fair value through profit or loss are set out below. The analysis is based on the assumption that the equity indexes increase/decrease by 6% with all other variables held constant. These changes represents what is considered to be a reasonable movement within the specific benchmarks by management.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

i) Price risk...continued

	Carrying value \$	Effective change at September 2017	Impact on income \$
September 30, 2017			
Value Fund:			
Listed on Caribbean stock exchanges and markets	—	—	—
September 30, 2016			
Value Fund:			
Listed on Caribbean stock exchanges and markets	8,000	6%	480

ii) Cash flows and fair value interest rate risk

The Fund's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Fund to cash flow interest rate risk. Borrowings issued at fixed rates expose the Fund to fair value interest rate risk. The Fund holds the majority of its long term borrowings in fixed rate instruments. The details of the Fund's long-term borrowings are included in note 14. Any excess cash and cash equivalents of the Fund are invested at short-term market interest rates. The effective yield on cash and cash equivalents is disclosed in note 10.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

ii) Cash flows and fair value interest rate risk...continued

The table below summaries the Fund's exposure to interest rate risk. It includes the Fund's financial assets and liabilities categorised by the earlier of the contractual re-pricing or maturity dates.

	0 - 3 months \$	4 months to 1 year \$	Over 1 year \$	Non-interest bearing \$	Total \$
September 30, 2017					
Value Fund					
Financial assets					
Loan receivable	—	—	6,500,000	—	6,500,000
Accounts receivable	—	—	—	583,432	583,432
Due from related parties	6,846	20,951	899,771	—	927,568
Cash and cash equivalents	—	—	—	13,534,056	13,534,056
Total financial assets	6,846	20,951	7,399,771	14,117,488	21,545,056
Financial liabilities					
Loans payable	—	3,000,000	7,500,000	80,000	10,580,000
Accounts payable and accrued expenses	—	—	—	325,054	325,054
Security and advance deposits	—	—	—	289,988	289,988
Total financial liabilities	—	3,000,000	7,500,000	695,042	11,195,042
Development Fund					
Financial assets					
Accounts receivable	—	—	—	372,893	372,893
Due from related parties	—	—	—	48,000	48,000
Cash and cash equivalents	—	—	—	51,725	51,725
Total financial assets	—	—	—	472,618	472,618
Financial liabilities					
Accounts payable and accrued expenses	—	—	—	479,644	479,644
Security and advance deposits	251,972	—	—	50,957	302,929
Due to related parties	6,846	20,951	899,771	—	927,568
Total financial liabilities	258,818	20,951	899,771	530,601	1,710,141

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management ...continued

Market risk ...continued

ii) Cash flows and fair value interest rate risk...continued

	0 - 3 months \$	4 months to 1 year \$	Over 1 year \$	Non-interest bearing \$	Total \$
September 30, 2016					
Value Fund					
Financial assets					
Financial assets at fair value through profit or loss	—	—	—	8,000	8,000
Accounts receivable	—	—	—	413,195	413,195
Due from related parties	—	—	—	189,790	189,790
Cash and cash equivalents	—	—	—	8,294,962	8,294,962
Total financial assets	—	—	—	8,905,947	8,905,947
Financial liabilities					
Loans payable	—	—	10,500,000	80,000	10,580,000
Accounts payable and accrued expenses	—	—	—	2,304,528	2,304,528
Security and advance deposits	—	—	—	347,052	347,052
Total financial liabilities	—	—	10,500,000	2,731,580	13,231,580
Development Fund					
Financial assets					
Accounts receivable	—	—	—	387,220	387,220
Due from related parties	—	—	—	48,000	48,000
Cash and cash equivalents	—	—	—	547,719	547,719
Total financial assets	—	—	—	982,939	982,939
Financial liabilities					
Accounts payable and accrued expenses	—	—	—	530,872	530,872
Security and advance deposits	251,972	—	—	13,290	265,262
Due to related parties	—	—	—	189,790	189,790
Total financial liabilities	251,972	—	—	733,952	985,924

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management ...continued

Market risk ...continued

ii) Cash flows and fair value interest rate risk ...continued

The carrying value of all financial assets and liabilities are considered reasonable estimates of their fair value.

At September 30, 2017, the majority of the Fund's financial assets and liabilities are non-interest bearing. The Fund's long term debt are fixed rate instruments. As a result the Fund is not subject to significant amounts of cash flow interest risk due to fluctuation in the prevailing levels of market interest rates.

iii) Foreign currency risk

The majority of the Fund's financial assets and liabilities are denominated in the Barbados dollar or currencies fixed to the Barbados dollar, its functional currency. The Fund therefore has no significant exposure to foreign currency risk.

Credit risk

Credit risk is the risk that an issuer or counterparty to a financial instrument will be unable or unwilling to meet a commitment thereby causing a financial loss to the Fund.

The maximum exposure of the Fund to credit risk is set out in the following table:

	Value Fund \$	Development Fund \$
September 30, 2017		
Loan receivable	6,500,000	—
Accounts receivable	583,432	372,893
Due from related parties	927,568	48,000
Cash and cash equivalents	13,534,056	51,725
Total financial assets	21,545,056	472,618
September 30, 2016		
Accounts receivable	413,195	387,220
Due from related parties	189,790	48,000
Cash and cash equivalents	8,294,962	547,719
Total financial assets	8,897,947	982,939

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Credit risk...continued

The loan receivable comprises of a vendor's mortgage held in the BET joint venture related to the sale of the CWBET building during the current financial year. The collateral security on the loan is the CWBET building, Wilkey, St. Michael (note 11).

Accounts receivable comprise mainly of amounts due from the tenants of investment properties and proceeds from the sale of properties. As part of the lease agreements tenants provide a security deposit. The property manager does an assessment of the business of the prospective client to determine its viability and hence its ability to meet the lease commitments.

The Fund has no significant individual credit exposure on amounts due from tenants.

The Fund's exposure to individual counterparty credit risk on its cash and cash equivalents and short term deposits exceeding 2% of total Fund net assets are set out below:

	Value Fund \$	Development Fund \$
Cash and cash equivalents		
September 30, 2017		
CIBC FirstCaribbean International Bank (not rated)	13,534,056	51,725
	13,534,056	51,725
September 30, 2016		
CIBC FirstCaribbean International Bank (not rated)	8,294,962	547,719
	8,294,962	547,719

The Fund's past due or impaired financial assets are disclosed in note 12.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and ensuring the availability of funding through an adequate amount of committed credit facilities to meet the obligations of the Fund.

The table below analyses the Fund's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amount, as the impact of discounting is not significant.

	0 – 3 months \$	3 months to 1 year \$	1 - 5 years \$	No stated maturity \$	Total \$
Value Fund					
September 30, 2017					
Assets					
Loan receivable	–	–	6,500,000	–	6,500,000
Accounts receivable	339,765	243,667	–	–	583,432
Due from related parties	17,278	51,834	914,926	–	984,038
Cash and cash equivalents	13,534,056	–	–	–	13,534,056
Total financial assets	13,891,099	295,501	7,414,926	–	21,601,526
Liabilities					
Loans payable	–	3,192,500	8,476,250	–	11,668,750
Accounts payable and accrued expenses	325,054	–	–	–	325,054
Security and advance deposits	119,774	24,480	202,798	–	347,052
Total financial liabilities	444,828	3,216,980	8,679,048	–	12,340,856

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

	0 – 3 months \$	3 months to 1 year \$	1 - 5 years \$	No stated maturity \$	Total \$
Value Fund					
September 30, 2016					
Assets					
Financial assets at fair value through profit or loss	–	–	–	8,000	8,000
Accounts receivable	247,487	165,708	–	–	413,195
Due from related parties	189,790	–	–	–	189,790
Cash and cash equivalents	8,294,962	–	–	–	8,294,962
Total financial assets	8,732,239	165,708	–	8,000	8,905,947
Liabilities					
Loans payable	–	80,000	12,121,250	–	12,201,250
Accounts payable and accrued expenses	2,304,528	–	–	–	2,304,528
Security and advance deposits	119,774	24,480	202,798	–	347,052
Total financial liabilities	2,424,302	104,480	12,324,048	–	14,852,830

The Fund manages its liquidity risk through receipt of committed lease income where the Fund is the lessor. Details of the future operating lease income are disclosed in note 21.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

	0 - 3 months \$	3 months to 1 year \$	1 - 5 years \$	No stated maturity \$	Total \$
Development Fund					
September 30, 2017					
Assets					
Accounts receivable	62,129	219,338	—	91,426	372,893
Due from related parties	—	48,000	—	—	48,000
Cash and cash equivalents	51,725	—	—	—	51,725
Total financial assets	113,854	267,338	—	91,426	472,618
Liabilities					
Accounts payable and accrued expenses	479,644	—	—	—	479,644
Security and advance deposits	289,729	—	13,200	—	302,929
Due to related parties	17,278	51,834	914,926	—	984,038
Total financial liabilities	786,651	51,834	928,126	—	1,766,611
September 30, 2016					
Assets					
Accounts receivable	68,914	226,880	—	91,426	387,220
Due from related parties	—	48,000	—	—	48,000
Cash and cash equivalents	547,719	—	—	—	547,719
Total financial assets	616,633	274,880	—	91,426	982,939
Liabilities					
Accounts payable and accrued expenses	514,872	16,000	—	—	530,872
Security and advance deposits	251,972	6,690	6,600	—	265,262
Due to related parties	189,790	—	—	—	189,790
Total financial liabilities	956,634	22,690	6,600	—	985,924

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation

The fair value of financial assets traded in active markets. The quoted market price used for financial assets held by the Fund is the current exit price; the quoted market price for financial liabilities is the current asking price. If a significant movement in fair value occurs subsequent to the close of trading on the year end date, valuation techniques will be applied to determine the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' also requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following tables analyse within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
September 30, 2017				
Financial assets at fair value through profit or loss				
Value Fund				
Listed equity securities	—	—	—	—

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2016				
Financial assets at fair value through profit or loss				
Value Fund				
Listed equity securities	—	8,000	—	8,000

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted mutual funds. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2017 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2017				
Value Fund				
Assets				
Loan receivable	—	6,500,000	—	6,500,000
Accounts receivable and prepaid expenses	—	689,182	—	689,182
Due from related parties	—	927,568	—	927,568
Cash and cash equivalents	13,534,056	—	—	13,534,056
Total	13,534,056	8,116,750	—	21,650,806

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2017				
Value Fund				
Liabilities				
Loans payable	—	10,580,000	—	10,580,000
Accounts payable and accrued expenses	—	325,054	—	325,054
Security and advance deposits	—	289,988	—	289,988
Total	—	11,195,042	—	11,195,042
Development Fund				
Assets				
Accounts receivable and prepaid expenses	—	447,303	—	447,303
Due from related parties	—	48,000	—	48,000
Cash and cash equivalents	51,725	—	—	51,725
Total	51,725	495,303	—	547,028
Liabilities				
Accounts payable and accrued expenses	—	479,644	—	479,644
Security and advance deposits	—	302,929	—	302,929
Due to related parties	—	927,568	—	927,568
Total	—	1,710,141	—	1,710,141

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

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4 Financial risk management...continued

Fair value estimation...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2016				
Value Fund				
Assets				
Accounts receivable and prepaid expenses	—	553,370	—	553,370
Due from related parties	—	189,790	—	189,790
Cash and cash equivalents	8,294,962	—	—	8,294,962
Total	8,294,962	743,160	—	9,038,122
Liabilities				
Loans payable	—	10,580,000	—	10,580,000
Accounts payable and accrued expenses	—	2,304,528	—	2,304,528
Security and advance deposits	—	347,052	—	347,052
Total	—	13,231,580	—	13,231,580
Development Fund				
Assets				
Accounts receivable and prepaid expenses	—	464,335	—	464,335
Due from related parties	—	48,000	—	48,000
Cash and cash equivalents	547,719	—	—	547,719
Total	547,719	512,335	—	1,060,054
Liabilities				
Accounts payable and accrued expenses	—	530,872	—	530,872
Security and advance deposits	—	265,262	—	265,262
Due to related parties	—	189,790	—	189,790
Total	—	985,924	—	985,924

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed

The fair values are based on cash flows discounted using a rate based on the borrowing rates and are within level 2 of the fair value hierarchy.

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

The remaining assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value, due to their short-term nature.

Capital risk management

The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Fund may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

5 Investment properties

An independent valuation of the Value Fund's investment properties was performed by valuers to determine the fair value of the investment properties as at September 30, 2017. The fair value gains/losses recognised has been recorded in the consolidated statement of comprehensive income.

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

5 Investment properties...continued

	Fair value hierarchy/ level	Fair value b/fwd \$	Additions/ (disposals) \$	Fair value (losses)/gains \$	Fair value c/fwd \$
Value Fund					
The CWBET Building	3	16,500,000	(16,500,000)	—	—
Carlisle House	3	10,250,000	—	(250,000)	10,000,000
No. 24 Broad Street	3	8,750,000	473,119	(473,119)	8,750,000
The Chattel Village	3	1,200,000	—	100,000	1,300,000
		36,700,000	(16,026,881)	(623,119)	20,050,000

During the year the investment properties with the exception of the CWBET building were appraised by an independent valuer at \$20,050,000 (2016- \$20,200,000).

The sale of the CWBET building was completed during the year at an agreed selling price of \$16,500,000. The transaction was completed on December 1, 2016. Selling costs with respect to this sale were provided for in the consolidated statement of income amounting to \$1,755,500 in the prior year.

Valuations are performed as at March 31, 2017 and July 31, 2017 by professional independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements. Due to the nature of the process, valuations may differ between professional valuers.

Valuation techniques used to derive level 3 fair values

Level 3 fair values of land and buildings have been derived using the income approach. The income approach encompasses consideration of the direct capitalisation and the discount cash flow valuation methods. The income approach utilises the current actual and potential rents for the net rentable space in the buildings and calculates the value of the property based on a return on investment that an investor would anticipate. The inputs utilised in this method are as follows:

- Future rental cash inflows based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
- Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease;
- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

5 Investment properties...continued

Valuation techniques used to derive level 3 fair values...continued

- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

The below table provides information about fair value measurements using significant unobservable inputs (Level 3).

			Level 3- Range of unobservable inputs	
	Valuation		Long- term net operating income margin	Capitalisation rate for terminal value
Description	\$	Valuation technique		
September 30, 2017				
		Discounted cash flows		
Carlisle House	10,000,000	and sales comparison	60%	10.5%
No. 24 Broad Street	8,750,000	Discounted cash flows	95%	9.5%
The Chattel Village	1,300,000	Discounted cash flows	40%	—
September 30, 2016				
The CWBET Building	16,500,000	Sales data	—	—
		Discounted cash flows		
Carlisle House	10,250,000	and sales comparison	60%	10.5%
No. 24 Broad Street	8,750,000	Discounted cash flows	95%	9.5%
The Chattel Village	1,200,000	Discounted cash flows	31%	—

Valuation processes

The Fund's investment properties were valued at March 31, 2017 and July 31, 2017 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Fund's managers and investment advisors review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the Audit Committee (AC). Discussions of valuation processes and results are held between Audit Committee, the valuation team and the independent valuers at least once a year, in line with the Fund's valuation policies disclosed in note 2f.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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5 Investment properties...continued

At each financial year end the valuation team:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report;
- holds discussions with the independent valuer.

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

6 Real estate available for re-sale

The detailed portfolio of real estate available for re-sale is as follows:

	Value at b/fwd \$	Additions/ (disposals) \$	Impairment gains/(losses) \$	Value c/fwd \$
Development Fund				
Developed properties:				
Villas on the Green villas	3,085,914	—	(326,211)	2,759,703
Lime Grove Hillside Villa	1,150,000	—	(92,000)	1,058,000
Apes Hill Polo Villa #3	1,287,532	—	(103,383)	1,184,149
Apes Hill Polo Villa #18	—	1,420,000	(180,000)	1,240,000
Land and properties under development:				
Wotton lands	5,520,000	—	(184,000)	5,336,000
Rockley- Cane Gardens lands	1,725,000	—	23,000	1,748,000
Holders land	1,380,000	—	(230,000)	1,150,000
Rockley- Central area lands	1,035,000	—	(115,000)	920,000
Villas on the Green lands	2,384,525	—	—	2,384,525
Apes Hill land	805,000	(805,000)	—	—
Lion Castle land	726,800	—	(197,800)	529,000
	19,099,771	615,000	(1,405,394)	18,309,377

Real estate available for re-sale is carried at lower of cost or net realisable value. During the year impairment tests on the carrying value of the real estate available for re-sale were performed. Based on these tests the real estate available for re-sale were subsequently adjusted to their net realisable values resulting in impairment losses of \$1,405,394 (2016- \$481,444) being recognised.

Valuations performed by professional valuers are utilised in the process of determining the net realisable value of the real estate available for re-sale. Due to the nature of the valuation process, valuations may differ between professional valuers. The effect on net income of an across the board 10% depreciation in the net realisable value of the Fund's real estate available for re-sale would amount to \$1,830,938 (2016- \$1,909,977).

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

7 Investment in subsidiaries

The Fund has the following subsidiaries at September 30, 2017:

Name	Country of incorporation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares directly held by non-controlling interests (%)
Value Fund			
BET Building Joint Venture	Barbados	57%	43%
Development Fund			
Fortress (St. Lucia) Limited	St. Lucia	100%	—
JK Holdings Limited	Barbados	100%	—

The Value Fund owns a 57% interest in The BET Building Joint Venture which was registered in Barbados on October 12, 2001. The joint venture owned The CWBET Building in Wildey which has been included in investment properties (note 5). The total non-controlling interest for the year is \$3,055,520 (2016- \$9,471,755), which is for the BET Joint Venture.

The Development Fund owns a 100% interest in Fortress (St. Lucia) Limited, a company incorporated in St. Lucia. This company owns the Villas on the Green property which has been included in real estate available for re-sale (note 6).

The Development Fund owns a 100% interest in JK Holdings Limited, a company incorporated in Barbados. This company owns the Holders lands which has been included in real estate available for re-sale (note 6).

All subsidiary undertakings are included in the consolidated statements of the Value Fund and the Development Fund. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

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7 Investment in subsidiaries...continued

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the group.

Summarised statement of financial position:

	The BET Building Joint Venture	
	2017	2016
	\$	\$
Current		
Assets	7,123,098	7,456,456
Liabilities	(17,238)	(1,929,120)
	<hr/>	<hr/>
Total current net assets	7,105,860	5,527,336
	<hr/>	<hr/>
Non-current		
Assets	—	16,500,000
	<hr/>	<hr/>
Total non-current assets	—	16,500,000
	<hr/>	<hr/>
Net assets	7,105,860	22,027,336

Summarised statement of comprehensive income:

	The BET Building Joint Venture	
	2017	2016
	\$	\$
Revenue	207,450	(1,707,596)
Expenses	(128,925)	(2,454,923)
	<hr/>	<hr/>
Total comprehensive income for the year	78,525	(4,162,519)
	<hr/>	<hr/>
Total comprehensive income allocated to non-controlling interests	33,765	(1,789,883)
	<hr/>	<hr/>
Distributions paid to non-controlling interests	(6,450,000)	—

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

7 Investment in subsidiaries...continued

Summarised cash flows:

	The BET Building Joint Venture	
	2017	2016
	\$	\$
Cash flows from operating activities:		
Cash (used in)/generated from operating activities	(6,716,776)	5,646,349
Net increase in cash and cash equivalents	(6,716,776)	5,646,349
Cash and cash equivalents - beginning of year	7,251,627	1,605,278
Cash and cash equivalents - end of year	534,851	7,251,627

The information above is the amount before inter-company eliminations.

8 Investments in associated companies and joint arrangements

The amounts recognised in the statement of position are as follows:

	Value Fund	Development Fund
	\$	\$
September 30, 2017		
Associates	—	3,141,958
Joint ventures	15,033,130	1,694,002
	15,033,130	4,835,960
The amounts recognised in the statement of comprehensive income are as follows:		
Associates	—	(8,400)
Joint ventures	1,854,625	(19,686)
	1,854,625	(28,086)
September 30, 2016		
Associates	—	3,150,358
Joint ventures	19,778,505	1,713,688
	19,778,505	4,864,046
The amounts recognised in the statement of comprehensive income are as follows:		
Associates	—	(9,695)
Joint ventures	3,079,283	(20,166)
	3,079,283	(29,861)

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

8 Investments in associated companies and joint arrangements...continued

i) Investment in associates

Set out below are the associates of the group as at September 30, 2017, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Fund.

The nature of investment in associates:

Name of entity	Place of business	Percentage of ownership interest	Measurement method
Development Fund			
Contonou Shores Ltd.	Canouan Island, St. Vincent and the Grenadines	35%	Equity
Canouan CS&F Investments Limited	Canouan Island, St. Vincent and the Grenadines	35%	Equity
Rockley Development Limited	Barbados	50%	Equity

The Development Fund has a 35% interest in Contonou Shores Ltd, a company domiciled in the St. Vincent. This company owns land on Canouan Island, St. Vincent and the Grenadines which is classified as available for sale.

The Development Fund has a 35% interest in Canouan CS&F Investments Limited. This company owns land on Canouan Island, St. Vincent and the Grenadines which is classified as available for sale.

The Development Fund has a 50% interest in Rockley Development Limited. The company was formed to facilitate the renovations of buildings at Orange Hill in Rockley.

Contonou Shores Ltd, Canouan CS&F Investments Limited and Rockley Development Limited are private companies and there is no quoted market price available for the shares.

There are no contingent liabilities relating to the Fund's interest in the associates.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

8 Investments in associated companies and joint arrangements...continued

ii) Investment in joint ventures

	2017 \$	2016 \$
Value Fund		
At October 1	19,778,505	16,699,222
Distribution of profits	(6,600,000)	—
Share of profit	1,854,625	3,079,283
	15,033,130	19,778,505
Development Fund		
At October 1	1,713,688	1,733,854
Share of loss	(19,686)	(20,166)
	1,694,002	1,713,688

The joint ventures listed below have share capital consisting solely of ordinary shares, which is held directly by the Fund.

Name of entity	Place of business	Percentage of ownership interest	Measurement method
Value Fund			
The Sunset Joint Venture	Barbados	24%	Equity
The CS&C Joint Venture- account 1	Barbados	24%	Equity
Development Fund			
The CS&C Joint Venture- account 2	Barbados	24%	Equity

The Value Fund has a 24% interest in a joint venture partnership called The Sunset Joint Venture. The partnership was formed to facilitate the purchase of the Sunset Mall, a commercial property at Sunset Crest, St. James.

The Fund has a 24% interest in a joint venture partnership called The CS&C Joint Venture. The partnership was formed to facilitate the purchase of land and buildings previously owned by Cave Shepherd and Co. Ltd. and Carter Holdings Limited. The partnership has 13.5 acres of undeveloped land at Lower Estate and the Cave Shepherd building at 10-14 Broad Street. The Carter's properties at Wildey, Barbarees Hill, High Street were sold during the 2017 financial year. Following the split of the Fund on October 1, 2013, into a segregated cell company, the assets of the joint arrangements were allocated to each cell based on the investment objective of each cell as well as the characteristics of the underlying properties of the arrangements. As a result certain properties within the CS&C Joint Venture were split between the Value Fund and the Development Fund. At the time of the formation of the cell entities the rights to the

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

8 Investments in associated companies and joint arrangements...continued

ii) Investment in joint ventures...continued

property held for re-sale in the CS&C Joint Venture were allocated to the Development Fund. Together both cells own 24% of the CS&C Joint Venture.

The above entities are private companies and there is no quoted market price available for their shares.

Summarised financial information for joint ventures

Set out below are the summarised financial information for joint ventures which are accounted for using the equity method.

Summarised statement of financial position:

	The Sunset Joint Venture \$	The CS&C Joint Venture \$
September 30, 2017		
Assets		
Investment properties	12,500,000	52,500,000
Real estate available for re-sale	–	7,501,157
Due from related party	4,073,573	87,555
Accounts receivable and prepaid expenses	103,267	775,824
Cash and cash equivalents	620,742	2,197,634
Total assets	17,297,582	63,062,170
Liabilities		
Loans payable	5,223,928	4,993,644
Accounts payable and accrued expenses	–	445,800
Total liabilities	5,223,928	5,439,444
Total assets less liabilities	12,073,654	57,622,726

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

8 Investments in associated companies and joint arrangements...continued

ii) Investment in joint ventures...continued

	The Sunset Joint Venture \$	The CS&C Joint Venture \$
September 30, 2016		
Assets		
Investment properties	10,250,000	74,000,000
Real estate available for re-sale	—	7,501,157
Investments	—	389,856
Due from related party	4,436,307	—
Accounts receivable and prepaid expenses	73,592	546,608
Cash and cash equivalents	794,141	6,003,185
Total assets	15,554,040	88,440,806
Liabilities		
Loans payable	5,697,511	6,775,327
Accounts payable and accrued expenses	150,825	1,820,380
Total liabilities	5,848,336	8,595,707
Total assets less liabilities	9,705,704	79,845,099

The loans payable in the CS&C Joint Venture include \$713,012 (2016- \$2,138,012) due to RBTT Merchant Bank Limited and are 10 years and 12 years non callable mortgage bonds secured by a first mortgage over the properties acquired, stamped to cover \$34,500,000. Also included is \$4,073,573 (2016- \$4,436,306) payable to the Sunset Joint Venture. The loan is subordinated to the RBTT Merchant Bank loan but is subject to the terms and conditions of the credit facility between the RBC Royal Bank (Barbados) Ltd and the Sunset Joint Venture.

The loan payable in the Sunset Joint Venture is due to RBC Royal Bank (Barbados) Limited and secured by a first mortgage stamped to cover \$6,350,000 over property at Sunset Crest #2 St. James.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

8 Investments in associated companies and joint arrangements...continued

ii) Investment in joint ventures...continued

Summarised statement of comprehensive income:

	The Sunset Joint Venture \$	The CS&C Joint Venture \$
September 30, 2017		
Revenue		
Net rental income	1,080,332	5,810,959
Fair value gains on investment property	1,968,921	(771,574)
Gain on sale of investment property	–	58,196
Net gain on financial assets at fair value through profit or loss	–	9,268
Interest income	214,927	35,000
Total investment income	3,264,180	5,141,849
Expenses		
Interest expense	275,742	293,539
Net carrying costs of real estate available for re-sale	–	82,025
Professional fees	9,500	18,000
Other operating expenses	10,988	70,658
Operating expenditure	296,230	464,222
Total comprehensive income for the year	2,967,950	4,677,627
September 30, 2016		
Revenue		
Net rental income	1,115,238	6,372,334
Fair value gains on investment property	450,000	6,347,854
Net gain on financial assets at fair value through profit or loss	–	12,629
Interest income	56,550	9,485
Total investment income	1,621,788	12,742,302
Expenses		
Provision for selling costs of property	–	990,000
Interest expense	150,272	314,371
Net carrying costs of real estate available for re-sale	–	84,027
Professional fees	16,080	26,000
Other operating expenses	414	36,605
Operating expenditure	166,766	1,451,003
Total comprehensive income for the year	1,455,022	11,291,299

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

8 Investments in associated companies and joint arrangements...continued

ii) Investment in joint ventures...continued

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

	The Sunset Joint Venture \$	The CS&C Joint Venture \$
Summarised financial information		
Opening net assets October 1, 2016	9,705,704	79,845,099
Profit for the year	2,967,950	4,677,627
Distributions	(600,000)	(26,900,000)
Closing net assets September 30, 2017	12,073,654	57,622,726
Interest in joint venture	24%	24%
Carrying value	2,897,677	13,829,455
 Opening net assets October 1, 2015	 8,250,682	 68,553,800
Profit for the year	1,455,022	11,291,299
Closing net assets September 30, 2016	9,705,704	79,845,099
Interest in joint venture	24%	24%
Carrying value	2,329,369	19,162,824

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

8 Investments in associated companies and joint arrangements...continued

iii) Investment in joint operations

Nature of investment in joint operations

Name	Country of incorporation	Percentage of ownership interest
Development Fund		
Rockley Joint Venture	Barbados	50%

The Development Fund has a 50% interest in a joint venture partnership called the Rockley Joint Venture. The partnership was formed to facilitate the purchase of land and buildings at Rockley.

Nature of investment in joint operations

The Fund has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Fund's joint arrangement is not structured as a separate company. The agreement between the parties provides the Fund and the parties to the agreements with rights to the assets and liabilities of the limited company under the arrangements. Therefore, this arrangement is classified as a joint operation.

The Development Fund's share of results of its joint operations, its aggregated assets, liabilities and is as follows:

	Assets \$	Liabilities \$	Revenues \$	Profit/(Loss) \$	%Interest held
September 30, 2017	1,036,295	281,459	49,050	(12,315)	50%
September 30, 2016	1,037,536	270,384	45,613	4,833	50%

9 Financial assets at fair value through profit or loss

The detailed portfolio of investments which are carried at fair value through profit and loss is as follows:

	2017		2016	
	Cost \$	Market value \$	Cost \$	Market value \$
Value Fund				
Listed on Caribbean stock exchanges and markets	—	—	2,006	8,000
Total financial assets at fair value through profit or loss	—	—	2,006	8,000

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

9 Financial assets at fair value through profit or loss...continued

The net gain on financial assets at fair value through profit or loss as follows:

	2017 \$	2016 \$
Value Fund		
Realised gain	15,611	—
Net gain on financial assets at fair value through profit or loss	15,611	—

10 Cash and cash equivalents

	Value Fund		Development Fund	
	2017 \$	2016 \$	2017 \$	2016 \$
Cash at bank	13,534,056	8,294,962	51,725	547,719
Cash and cash equivalents	13,534,056	8,294,962	51,725	547,719

Cash and cash equivalents are placed with leading regional commercial banks. The effective yield on cash and cash equivalents is nil (2016- nil).

11 Loan receivable

The loan receivable of \$6,500,000 (2016- nil) represents a vendor's mortgage held in the BET joint venture related to the sale of the CWBET building during the current financial year. The amount is due on December 1, 2018. Failing payment, interest shall accrue on the balance at the rate of 10% per annum until payment in full and the moneys hereby secured shall become immediately due and payable. The collateral security on the loan is the CWBET building, Wildey, St. Michael.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

12 Accounts receivable and prepaid expenses

	Value Fund		Development Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
Rent receivable from tenants	480,643	309,085	—	—
Other receivables	282,521	294,596	372,893	387,220
Less: provision for impairment of receivables	(179,732)	(190,486)	—	—
	583,432	413,195	372,893	387,220
Prepaid expenses	105,750	140,175	74,410	77,115
Accounts receivables, net of provision for impairment	689,182	553,370	447,303	464,335

The estimated fair values of receivables are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts. All receivables are due within one year from the end of the reporting period.

As of September 30, 2017, within the Value Fund accounts receivables of \$243,669 (2016- \$240,362) were past due but not impaired and accounts receivable of \$179,732 (2016- \$190,486) were past due and impaired. The individually impaired receivables are over three months past due and mainly relate to certain tenants of commercial buildings. A provision is recognised for amounts not expected to be recovered. The Value Fund has recognised a recovery of \$10,754 (2016- \$3,086 loss) relating to the impairment of its receivables and the total provision amounted to \$179,732 (2016- \$190,486).

As of September 30, 2016, within the Development Fund accounts receivables of \$219,337 (2016-\$226,880) were past due but not impaired and accounts receivable of \$nil (2016- \$nil) were past due and impaired. A provision is recognised for amounts not expected to be recovered. The Development Fund has recognised a recovery of nil (2016- \$59,657) relating to the impairment of its receivables and the total provision amounted to nil (2016-nil).

13 Accounts payable and accrued expenses

	Value Fund		Development Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accounts payable	237,663	441,737	434,264	496,916
Accrued expenses	87,391	1,862,791	45,380	33,956
	325,054	2,304,528	479,644	530,872

The estimated fair values of the above financial liabilities are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts.

As at September 30, 2017, included in the Value Fund accrued expenses were selling costs of \$1,755,500 related the impending sale of the CWBET building.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

14 Loans payable

	Value Fund 2017 \$	2016 \$
Bond payable		
Series 1 – 2018	3,020,000	3,020,000
Series 2 – 2019	3,022,500	3,022,500
Series 3 – 2020	4,537,500	4,537,500
	10,580,000	10,580,000

The current portion due of loans payable amounts to \$80,000 (2016 -\$80,000) for the Value Fund.

The Value Fund has outstanding a bond payable issued in three series. Series 1 carries an interest rate of 4% maturing July 31, 2018. Series 2 carries an interest rate of 4.5% maturing July 31, 2019. Series 3 carries an interest rate of 5% maturing July 31, 2020. Interest is payable semi-annually in arrears and principal will be fully repaid on maturity. The collateral security on the bond is Carlisle House, Hincks Street, Bridgetown and No.24 Broad Street, Bridgetown.

The fair values of the borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

15 Dividends per share

A dividend of \$0.035 (2016- \$0.030) per share was declared during the financial year and paid on December 31, 2016 for the Value Fund. This amounted to a dividend totaling \$1,947,846 (2016- \$1,669,583).

There were no dividends paid for the Development Fund.

16 Net rental income

Rental income earned in the Value Fund is shown net of direct property expenses of \$1,347,395 (2016- \$1,895,195) incurred in managing the properties.

17 Net gains and carrying costs of real estate available for re-sale

All gains and carrying cost of real estate available for re-sale relate to the Development Fund.

The Villas on The Green development incurred net carrying costs of \$118,078 (2016- \$196,604) which comprise of property, administrative and other holding costs and is shown net of \$124,455 (2016- \$106,028) of rental income. During the prior year one unit was sold for net proceeds \$513,388, generating a loss of \$73,572. There were no sales during the 2017 year.

The carrying costs also include \$139,160 (2016- \$126,647) in property administration and other holding costs from other available for re-sale properties.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

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18 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

During the year, fund management fees were paid to Fortress Fund Managers Limited amounting to \$315,701 (2016-\$324,458) and \$89,144 (2016-\$103,964) by the Value Fund and the Development Fund respectively.

During the year, investment advisor fees were paid to Altman Real Estate amounting to \$315,701 (2016-\$324,458) and \$89,144 (2016-\$103,964) by the Value Fund and the Development Fund, respectively.

Consultancy fees of \$8,820 (2016- \$9,960) was refunded to the Value Fund by Altman Real Estate in respect to the Fund's share of costs charged to joint venturers. This is to avoid double charging.

Included in the loans payable is \$1,500,000 (2016- \$1,500,000) due to Fortress Caribbean High Interest Fund for the Series 1 bond payable which bears interest at a rate of 4% (2016- 4% per annum), \$300,000 (2016-\$300,000) for the Series 2 bond payable which bears interest at a rate of 4.5% (2016- 4.5%) per annum and \$2,100,000 (2016- \$2,100,000) for the Series 3 bond payable which bears interest at a rate of 5% (2015- 5%) per annum. Interest expense of \$178,500 (2016- \$158,250) relating to these loans were recognised in the consolidated statement of comprehensive income.

The amount due from related parties in the Value Fund of \$927,568 (2016- \$189,790) are due from the Development Fund. This amount is interest free and is repayable on demand.

Included in net rental income of the Value Fund is an amount of \$1,176,121 (2016- \$1,112,813) earned from affiliated companies.

Included in the accounts payable of the Development Fund is \$17,034 (2016- \$128,860) due to Fortress Fund Managers Limited.

During the year, commissions of \$3,000 (2016- nil) were charged on property rentals and paid to Altman Real Estate and its subsidiaries by the Value Fund.

The amount due from related parties of the Development Fund is \$48,000 (2016- \$48,000) due from the CS&C Joint Venture. The loan carried interest at a rate prime less 2%. At September 30, 2017 interest rate on the loan was 6.05%. The loan is repayable from the net sales proceeds on the sale of the lands at Lower Estate.

Included in the accounts payable is \$nil (2016- nil) and \$13,378 (2016- \$1,014) due to Altman Real Estate and its subsidiaries by the Value Fund and the Development Fund respectively.

Property management fees of \$87,000 (2016- \$87,000) and \$9,000 (2016- \$7,200) were paid to Altman Real Estate and its subsidiary Property Consultancy Services during the year by the Value Fund and the Development Fund respectively.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

18 Related party transactions...continued

Directors and subcommittee fees of \$29,445 (2016- \$29,437) and \$16,558 (2016- \$16,558) were paid during the year by the Value Fund and the Development Fund respectively. Directors' interest (including beneficial interests) in the segregated cellular shares are as follows:

	Number of shares at start of year	Number of shares purchased/(sold) in the year	Number of shares at year end
Shareholder			
Value Fund			
Directors	789,959	—	789,959
Development Fund			
Directors	789,959	—	789,959

Related party interests in cellular shares are as follows:

	Number of shares			
	Value Fund		Development Fund	
	2017	2016	2017	2016
Fortress Caribbean Pension Fund Limited	7,279,495	7,279,495	3,350,227	3,350,227
Fortress Mutual Fund Limited	2,151,331	1,964,171	1,964,171	1,964,171
Fortress Caribbean High Interest Limited	983,690	883,690	—	—

19 Share capital

On September 24, 2013, at a special meeting of the shareholders of the Class "A" shares, the proposal to divide the Company into a segregated cell company was approved. As a result, effective October 1, 2013, the Company was converted in a segregated cell company namely Fortress Caribbean Property Fund Limited SCC (the Fund). The Fund is divided into two cells, Fortress Caribbean Property Fund- Value Fund (the Value Fund) and Fortress Caribbean Property Fund -Development Fund (the Development Fund). Each share previously owned by the Class "A" shareholders has been replaced by one share in the Value Fund and one share in the Development Fund.

The split of the Fund into the two cells is currently reflected on the Barbados Stock Exchange, the Company's primary exchange listing. Trading on the Trinidad and Tobago Stock Exchange has been suspended. Each share will trade independently.

During the year the Development Fund repurchased 199,786 (2016- nil) fund shares for a total consideration of \$30,388 (2016- nil).

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

19 Share capital...continued

	2017		2016	
	Number of shares	\$	Number of shares	\$
Value Fund Shares				
Authorised				
An unlimited number of cellular shares of no par value				
Issued and outstanding	55,652,768	37,209,540	55,652,768	37,209,540
Development Fund Shares				
Authorised				
An unlimited number of cellular shares of no par value				
Balance- beginning of the year	54,549,676	28,731,519	54,549,676	28,731,519
Less treasury shares	(199,786)	(105,228)	—	—
Balance- end of the year	54,349,890	28,626,291	54,549,676	28,731,519

The Fund is authorised to issue 100 common shares and an unlimited number of cellular shares divided into the Value Fund and the Development Fund cells. At September 30, 2017, 20 common shares at a total consideration of \$10 were issued and outstanding. The common shares are held equally by the Investment Advisor and the Fund Manager and no common share can be transferred to any person other than another investment advisor or fund manager. The holders of the common shares have the voting rights. Each common share entitles the holder to one vote per share. The holders of the common shares are not entitled to receive dividends.

The Value Fund shares

The holders of Value Fund shares have an interest in the undivided portion of assets of the related segregated cell. These shares secure an equal share in distribution of net income and net capital gains and participate equally in all other respects. Value Fund shares may not be redeemed by the shareholders, but may be traded on the Barbados Stock Exchange or any other stock exchange as the Directors may determine.

The rights and privileges of the Value Fund shareholders are equal in all respects and include the right to:

- 1) To receive notice of and attend all meetings of shareholders of the Fund but not to vote at any such meeting except on the matters particularly set out hereinafter:
 - The liquidation of the Value Fund;
 - The winding up of the company;
 - The reconstruction of the company, and/or the amalgamation of the company and/or the Value Fund with any other company or mutual fund.
- 2) To receive cellular dividends when declared by directors.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

19 Share capital...continued

The Value Fund shares...continued

- 3) Upon liquidation, dissolution or winding up of the Fund or other distribution of the assets of the Fund for the purpose of winding up its affairs, the Value Fund shareholders shall be entitled to receive after payment of all the liabilities of the Fund attributable to the Value Fund, the assets represented by the stated capital and reserves attributable to the Value Fund.

The Development Fund shares

The holders of the Development Fund shares have an interest in the undivided portion of assets of the related segregated cell. These shares secure an equal share in distribution of net income and net capital gains and participate equally in all other respects. Development Fund shares may not be redeemed by the shareholders, but may be traded on the Barbados Stock Exchange or any other stock exchange as the Directors may determine.

The rights and privileges of the Development Fund shareholders are equal in all respects and include the right to:

- 1) To receive notice of and attend all meetings of shareholders of the Fund but not to vote at any such meeting except on the matters particularly set out hereinafter:
 - The liquidation of the Development Fund;
 - The winding up of the company;
 - The reconstruction of the company, and/or the amalgamation of the company and/or the Development Fund with any other company or mutual fund.
- 2) To receive cellular dividends when declared by directors.
- 3) Upon liquidation, dissolution or winding up of the Fund or other distribution of the assets of the Fund for the purpose of winding up its affairs, the Development Fund shareholders shall be entitled to receive after payment of all the liabilities of the Fund attributable to the Development Fund, the assets represented by the stated capital and reserves attributable to the Development Fund.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

(expressed in Barbados dollars)

20 Earnings per share and net asset value

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of cellular shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no 'unpurchased' shares to be added to the cellular shares outstanding for the purpose of computing diluted earnings per share.

Basic and diluted earnings per share are calculated as follows:

	Value Fund		Development Fund	
	2017	2016	2017	2016
	\$	\$	\$	\$
Comprehensive income/(loss) attributable to shareholders	1,609,928	769,873	(2,025,335)	(1,195,010)
Weighted average number of Class "A" shares in issue	55,652,768	55,652,768	54,349,890	54,549,676
Basic and diluted earnings per share	0.03	0.01	(0.04)	(0.02)
Net asset value	42,483,374	42,821,292	21,982,224	24,037,947
Net asset value per share	0.76	0.77	0.41	0.44

21 Commitments

Operating lease commitments - where the Value Fund is the lessee

The future minimum lease payments under operating leases are as follows:

	2017	2016
	\$	\$
Value Fund		
Not later than 1 year	152,460	138,600
Later than 1 year and not later than 5 years	640,332	608,107
Later than 5 years	802,194	802,194

Operating lease commitments - where the Value Fund is the lessor

The future lease payments receivable under operating leases are as follows:

	2017	2016
	\$	\$
Value Fund		
Not later than 1 year	1,672,000	1,643,650
Later than 1 year and not later than 5 years	4,135,876	5,517,831
Later than 5 years	—	—

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2017

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21 Commitments...continued

Included in the above disclosure are retail leases in which the lessee has the option to cancel the lease with notice prior to the end of the agreed upon lease period. The future minimum lease payments receivable under cancellable operating leases are as follows:

	2017	2016
	\$	\$
Value Fund		
Not later than 1 year	648,689	647,727
Later than 1 year and not later than 5 years	986,486	1,345,132
Later than 5 years	—	—

22 Subsequent events

A dividend of \$0.035 per share was declared subsequent to the financial year and is payable on December 29, 2017 for the Value Fund. This amounts to a dividend totaling \$1,947,843.



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