

Eppley Caribbean Property Fund Limited SCC

Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EPPLEY CARIBBEAN PROPERTY FUND SCC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eppley Caribbean Property Fund SCC and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 September 2019, 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 2019 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 EPPLEY 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	
In the Value Fund approximately 32% of the total assets are investment properties. Investment properties are measured at fair value, as determined by a specialist engaged by management.	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.
Approximately 67% 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.	

Other information included in the Group's 2019 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 EPPLEY 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 EPPLEY 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 EPPLEY 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 Mrs. Lisa Padmore.

A stylized, handwritten-style signature of 'Ernst & Young Ltd' in black ink.

BARBADOS

27 December 2019

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Financial Position

As at September 30, 2019

(expressed in Barbados dollars)

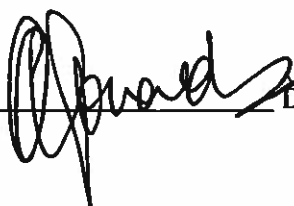
	Note	2019 \$	2018 \$
Value Fund			
Assets			
Investment properties	5	39,328,765	17,770,000
Investments in associated companies and joint arrangements	8	21,234,890	19,997,671
Loan receivable	11	—	6,500,000
Accounts receivable and prepaid expenses	12	390,746	277,769
Due from related parties	18	518,605	847,229
Marketable securities	10	4,000,000	—
Cash and cash equivalents	9	34,253,482	10,237,573
Total assets		99,726,488	55,630,242
Liabilities			
Loans payable	14	10,728,501	10,580,000
Accounts payable and accrued expenses	13	495,545	2,180,521
Security and advance deposits		327,021	233,001
Deferred taxation		42,836	—
Taxation payable		11,579	—
Total liabilities		11,605,482	12,993,522
Total assets less liabilities		88,121,006	42,636,720
Equity			
Capital and reserves attributable to the Fund shareholders			
Share capital	19	83,128,128	37,209,540
Other reserves		(79,327)	—
Retained earnings		5,039,725	2,525,125
Total shareholders' funds		88,088,526	39,734,665
Non-controlling interests	7	32,480	2,902,055
		88,121,006	42,636,720
Net asset value per share	20	\$0.72	\$0.71

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

Approved by the Board of Directors on December 12, 2019



Director



Director

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Financial Position...continued

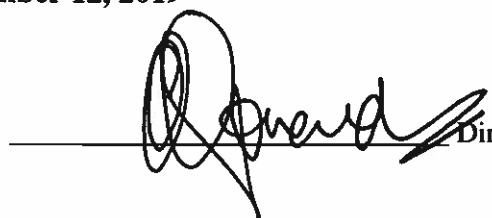
As at September 30, 2019

(expressed in Barbados dollars)

	Note	2019 \$	2018 \$
Development Fund			
Assets			
Real estate available for re-sale	6	13,378,199	14,187,766
Investments in associated companies and joint arrangements	8	4,851,918	5,573,363
Accounts receivable and prepaid expenses	12	439,121	420,175
Cash and cash equivalents	9	2,562,170	1,020,453
Total assets		21,231,408	21,201,757
Liabilities			
Accounts payable and accrued expenses	13	167,718	199,090
Security and advance deposits		281,123	283,914
Due to related parties	18	337,207	847,229
Total liabilities		786,048	1,330,233
Total assets less liabilities		20,445,360	19,871,524
Equity			
Capital and reserves attributable to the Fund shareholders			
Share capital	19	28,626,291	28,626,291
Retained deficit		(8,180,931)	(8,754,767)
Total shareholders' funds		20,445,360	19,871,524
Net asset value per share	20	\$0.38	\$0.36

Approved by the Board of Directors on December 12, 2019

 Director

 Director

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Changes in Equity

For the year ended September 30, 2019

(expressed in Barbados dollars)

	Attributable to Fund shareholders				Total \$
	Share capital \$	Other reserves \$	Retained earnings \$	Non- controlling interests \$	
Value Fund					
Balance at September 30, 2017	37,209,540	—	5,273,834	3,055,520	45,538,894
Dividends declared 3.5 cents per share (note 15)	—	—	(1,947,846)	—	(1,947,846)
Distributions to non-controlling interests (note 7)	—	—	—	(215,000)	(215,000)
Total comprehensive (loss)/income for the year	—	—	(800,863)	61,535	(739,328)
Balance at September 30, 2018	37,209,540	—	2,525,125	2,902,055	42,636,720
Dividends declared 2.4 cents per share (note 15)	—	—	(1,335,666)	—	(1,335,666)
Issuance of shares (note 19)	47,237,127	—	—	—	47,237,127
Shares issue costs (note 19)	(1,318,539)	—	—	—	(1,318,539)
Translation reserves	—	(79,327)	—	—	(79,327)
Distributions to non-controlling interests (note 7)	—	—	—	(2,902,501)	(2,902,501)
Total comprehensive income for the year	—	—	3,850,266	32,926	3,883,192
Balance at September 30, 2019	83,128,128	(79,327)	5,039,725	32,480	88,121,006

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

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Changes in Equity...continued

For the year ended September 30, 2019

(expressed in Barbados dollars)

	Attributable to Fund shareholders		
	Share capital	Retained earnings	Total
	\$	\$	\$
Development Fund			
Balance at September 30, 2017	28,626,291	(6,644,067)	21,982,224
Total comprehensive loss for the year	—	(2,110,700)	(2,110,700)
Balance at September 30, 2018	28,626,291	(8,754,767)	19,871,524
Total comprehensive income for the year	—	573,836	573,836
Balance at September 30, 2019	28,626,291	(8,180,931)	20,445,360

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Comprehensive Income/(Loss)

For the year ended September 30, 2019

(expressed in Barbados dollars)

	Note	2019 \$	2018 \$
Value Fund			
Revenue			
Net rental income	16	1,800,499	1,521,075
Fair value gains/(losses) on investment property	5	2,019,150	(2,381,895)
Share of profit of investments accounted for using the equity method	8	2,947,930	1,563,000
Gain on bargain purchase		74,325	—
Net loss on sale of investment property		—	(118,141)
Interest income		149,714	21,833
Other income		1,869	6,652
Total investment income		6,993,487	612,524
Expenses			
Interest expense		634,125	480,000
Fund management fees	18	298,137	313,735
Investment advisor fees	18	298,137	313,735
Professional fees		187,339	193,058
Directors and subcommittee fees	18	2,560	18,527
Office and administrative expenses		45,562	11,905
Impairment charge for receivables	12	76,317	20,892
Net foreign exchange loss		1,565,676	—
Operating expenditure		3,107,853	1,351,852
Profit/(loss) before tax		3,885,634	(739,328)
Taxation		(2,442)	—
Net profit/(loss) for the year		3,883,192	(739,328)
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		79,327	—
Total comprehensive income/(loss) for the year		3,962,519	(739,328)
Attributable to:			
Cellular property fund shareholders		3,850,266	(800,863)
Non– controlling interests	7	32,926	61,535
Total comprehensive income/(loss) for the year		3,883,192	(739,328)
Earnings per share – basic and diluted	20	\$0.06	\$(0.01)

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

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Comprehensive Income/(Loss)

For the year ended September 30, 2019

(expressed in Barbados dollars)

	Note	2019 \$	2018 \$
Development Fund			
Revenue			
Share of loss of investments accounted for using the equity method	8	(1,443)	(26,526)
Interest income		—	3,267
Other income		7,002	25,106
Total investment income		5,559	1,847
Expenses			
Fair value (gain)/loss on real estate available for re-sale	6	(1,293,956)	1,386,278
Net carrying costs of real estate available for re-sale	17	217,955	156,934
Professional fees		113,099	143,437
Fund management fees	18	136,043	133,290
Investment advisor fees	18	136,043	133,290
Net loss on sale of real estate available for re-sale	17	112,414	119,528
Loss on purchase of investment		—	2,700
Directors and subcommittee fees	18	1,440	10,422
Office and administrative expenses		8,685	4,835
Interest expense		—	21,833
Operating expenditure		(568,277)	2,112,547
Total comprehensive income/(loss) for the year		573,836	(2,110,700)
Attributable to:			
Cellular property fund shareholders		573,836	(2,110,700)
Total comprehensive income/(loss) for the year		573,836	(2,110,700)
Profit/(loss) per share – basic and diluted	20	\$0.01	\$(0.04)

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

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows

For the year ended September 30, 2019

(expressed in Barbados dollars)

	Note	2019 \$	2018 \$
Value Fund			
Cash flows from operating activities			
Net income/(loss) for the year		3,885,634	(739,328)
Adjustments for:			
Fair value (gains)/losses on investment property		(2,019,150)	2,381,895
Net foreign exchange loss		1,565,676	—
Share of gains of investments accounted for using the equity method		(2,947,930)	(1,563,000)
Net loss on sale of investment property		—	118,141
Impairment charge for receivables		—	20,892
Interest income		(149,714)	(21,833)
Interest expense		634,125	480,000
		968,641	676,767
Net (increase)/decrease in accounts receivable and prepaid expenses		(46,723)	390,521
Decrease in loans receivable		6,500,000	—
(Decrease)/increase in accounts payable and accrued expenses		(1,570,546)	1,855,467
Increase/(decrease) in security and advance deposits		94,020	(56,987)
Net increase in due to/from related parties		330,217	80,339
Additions to investment properties		(12,872,552)	(101,895)
Additions to marketable securities		(4,000,000)	—
Cash (used in) /generated from operations		(10,596,943)	2,844,212
Interest received		117,979	21,833
Interest paid		(633,749)	(480,000)
Net cash (used in)/generated from operating activities		(11,112,713)	2,386,045
Cash flows from investing activities			
Investment in associated companies		—	(9,387,682)
Distributions from associated companies		1,710,711	5,868,000
Net cash generated from/(used in) investing activities		1,710,711	(3,519,682)
Cash flows from financing activities			
Net proceeds from issuance of shares		39,061,220	—
Distributions to non-controlling interests		(2,902,501)	(215,000)
Dividends paid		(1,335,666)	(1,947,846)
Loans received		8,348,284	—
Loans repaid		(7,855,100)	—
Net cash generated from/(used in) financing activities		35,316,237	(2,162,846)
Net increase/(decrease) in cash and cash equivalents		25,914,235	(3,296,483)
Effects of foreign exchange rates changes on cash and cash equivalents		(1,930,061)	—
Cash and cash equivalents – beginning of year		10,237,573	13,534,056
Cash and cash equivalents – end of year	9	34,221,747	10,237,573

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

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows...continued

For the year ended September 30, 2019

(expressed in Barbados dollars)

	2019 \$	2018 \$
Development Fund		
Cash flows from operating activities		
Total comprehensive income/(loss) for the year	573,836	(2,110,700)
Adjustments for:		
Share of loss of investments accounted for using the equity method	1,443	26,526
Net loss on sale of real estate available for re-sale	112,414	119,528
(Impairment loss)/fair value gain on real estate available for re-sale	(1,293,956)	1,386,278
Loss on purchase of investments	—	2,700
Interest income	—	(3,267)
Interest expense	—	21,833
Operating loss before working capital changes	(606,263)	(557,102)
(Increase)/decrease in accounts receivable and prepaid expenses	(18,946)	27,128
Decrease in accounts payable and accrued expenses	(31,372)	(263,602)
Decrease in security and advance deposits	(2,791)	(19,015)
Net increase in due to/from related parties	(510,022)	(32,339)
Net proceeds from sale of real estate available for re-sale	2,050,535	2,615,805
Purchase of real estate available for re-sale	(59,426)	—
Cash generated by operations	821,715	1,770,875
Interest received	—	3,267
Interest paid	—	(38,785)
Net cash generated by operating activities	821,715	1,735,357
Cash flows from investing activities		
Investment in associated companies	—	(814,629)
Distributions from associated companies	720,002	48,000
Net cash generated by/(used in) investing activities	720,002	(766,629)
Net increase in cash and cash equivalents	1,541,717	968,728
Cash and cash equivalents – beginning of year	1,020,453	51,725
Cash and cash equivalents – end of year	2,562,170	1,020,453

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

1 Incorporation and principal activities

Eppley Caribbean Property Fund Limited SCC (formerly Fortress Caribbean Property Fund Limited SCC) (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.

Eppley Fund Managers Limited, a mutual fund administrator licensed under the Mutual Funds Act, Barbados, acquired the common shares of the Fund which were previously held by Fortress Fund Managers and Alleyne, Aguilar & Altman Limited. The effective date of the transaction was May 4, 2018. Following the completion of the sale, the name of the Fund was changed to Eppley Caribbean Property Fund Limited SCC.

On September 24, 2013, at a special meeting of the shareholders of the Class “A” shares, the proposal to divide the Fund into a segregated cell company was approved. As a result, effective October 1, 2013, the Fund 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 Jamaica Stock Exchange and 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.

A public invitation for subscription was made by Eppley Caribbean Property Limited SCC via prospectus dated June 14, 2019, in Jamaica in respect of cellular shares in the Value Fund at the price of J\$46.18 per share. The offer closed on July 31, 2019, consequently contributing to an increase of 66,528,860 units of shares issued.

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 12, 2019.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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.

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

Certain new accounting standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Fund has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following which is relevant to its operations:

- **IFRS 9, 'Financial instruments'**, (effective for annual periods beginning on or after January 1, 2018). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition and depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

New and amended standards adopted by the Fund...continued

- **IFRS 9, 'Financial instruments'...continued**

The Fund has performed a review of its business model based on the different portfolios of financial assets and the characteristics of these financial assets. This did not have a significant impact on the Fund's equity. The Fund does not currently have any financial assets at fair value through other comprehensive income.

There is no impact on the Fund's accounting for financial liabilities, as the new requirements only impact financial liabilities that are designated at fair value through profit or loss, and the Fund does not currently have any such liabilities.

The Fund has reviewed the classes of financial assets encompassed in the consolidated financial statements under the model and has concluded that the application of IFRS 9 did not have a material impact on the consolidated or standalone results or financial position based on the nature of services offered by the Fund. The Fund has adopted IFRS 9 'Financial instruments' with a date of initial application of October 1, 2018. As a result, the Fund has changed its accounting policy for financial assets as detailed below in note 2(u).

- **IFRS 15, 'Revenue from contracts with customers'** (effective for annual periods beginning on or after January 1, 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The Fund has adopted IFRS 15 'Revenue from Contracts with Customers' with a date of initial application of October 1, 2018. As a result, the Fund has changed its accounting policy for revenue recognition as detailed below in note 2(u).

- **Amendments to IFRS 15, 'Revenue from contracts with customers'** (effective January 1, 2018) comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. As a result, the Fund has changed its accounting policy for revenue recognition as detailed below in note 2(u).

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

New and amended standards adopted by the Fund...continued

- **IFRIC 22, 'Foreign currency transactions and advance consideration'** (effective for annual periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

There was no significant impact on its financial statements arising from the adoption of the interpretation as the Group normally recognises the non-monetary asset or liability arising from the advance consideration on the date of the transaction.

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, 2019 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 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.
- **Amendment to IFRS 3 'Business Combinations'** – Definition of a Business. The IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The Fund is yet to assess IFRS 3's full impact and intends to adopt IFRS 3 no later than the accounting period beginning on or after January 1, 2020.
- **Amendment to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'** – Definition of Material. In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The Fund is yet to assess IAS 1's full

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

Amendment to IAS 1 'Presentation of Financial Statements'...continued

impact and intends to adopt IAS 1 no later than the accounting period beginning on or after January 1, 2020.

- **Amendments to IAS 28 'Investments in associates', on long term interests in associates and joint ventures** (effective for annual periods beginning on or after January 1, 2019). These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9. The Fund currently applies the equity method to its associated companies.

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.

The Fund's subsidiary holdings are set out below:

	2019	2018
Value Fund		
BET Building Joint Venture	57%	57%
Retirement Road Holdings Limited	100%	—
Alamac Property	100%	—
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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

i) Subsidiaries...continued

Disposal of subsidiaries

When the Fund ceases to have control of retained interest in the entity it 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 share of losses in an associate equal 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:

	2019	2018
Development Fund		
Contonou Shores Ltd.	35%	35%
Rockley Development Limited	50%	50%
Canouan CS&F Investments Limited	35%	35%

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

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.

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

	2019	2018
Value Fund		
Joint ventures		
The Sunset Joint Venture	24%	24%
The CS&C Joint Venture – account 1	36%	36%
Emerald City Trust	30%	30%
Development Fund		
Joint ventures		
The CS&C Joint Venture – account 2	36%	36%
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 36% of the CS&C Joint Venture.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

iv) Business Combinations

The Group has applied IFRS 3 to all Business Combinations. Acquisitions are accounted for using the 'purchase method' of accounting. The cost of an acquisition is representative of the cash paid along with the fair value of other assets given, equity instruments issued and liabilities incurred or assumed. Any deferred contingent consideration is recognised at fair value at the acquisition date. In applying the acquisition method, the Group identifies the acquirer, determines the acquisition date, recognises and measures the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and recognises and measures goodwill or a gain from a bargain purchase.

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 operate ("the functional currency"). The consolidated financial statements are presented in Barbados dollars which is the functional and presentation currency of the Fund. As such, subsidiaries denominated in another currency are translated to Barbados dollars. This therefore gives rise to a translation difference on consolidation. This is reflected in the *Other Comprehensive Income* 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.

d) Investment and other financial assets

(i) Classification

From October 1, 2018, the Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVPL), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Fund can also elect on adoption of IFRS 9, to select the fair value option to eliminate an accounting mismatch.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Investment and other financial assets...continued

(i) Classification...continued

For assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through profit or loss.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets held in order to collect contractual cash flows and give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost.

Equity instruments

The Fund subsequently measures all equity investments at fair value through profit or loss.

Dividends from such investments continue to be recognised in profit or loss as other income when the Fund's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

(vi) Impairment

The Fund holds repurchase agreements and other receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Accounting policies applied prior to October 1, 2018

The Fund has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Fund's previous accounting policy.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Investment and other financial assets...continued

Financial assets at fair value through profit or loss

Until September 30, 2018, the Fund classifies its investments at initial recognition into two categories:

The Fund classifies its investments into two categories:

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

i) Classification

The Fund's investments in equity securities and other mutual funds were 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 were 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 were recognised on the trade date, which is the date a fund commits to purchase or sell the investments. Transaction costs were costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They included the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, were immediately recognised in the statement of comprehensive income as an expense.

Investments were 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 were 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 were 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 were 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, made a reasonable estimate of the fair value price by using valuation techniques. These included 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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Investment and other 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 were recognised in the consolidated statement of comprehensive income as they arise. Average cost method was used to compute realised and unrealised gains on investments.

Dividend income was recognised in the statement of comprehensive income when the Fund's right to receive payment was 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 were 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 was determined using valuation techniques. The Fund used a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Valuation techniques used included 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 were deemed to have occurred at the beginning of the reporting period.

Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. Loans and receivables were initially recognized at fair value plus transaction costs and were subsequently carried at amortised cost using the effective interest method less provision for impairment. A loan or receivable was considered impaired when management determines that it is probable

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Investment and other financial assets...continued

Loans and receivables...continued

that all amounts due according to the original contract terms will not be collected. This determination was 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. 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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

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. These are treated in the manner as financial assets above in note 2(d).

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.

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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

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 from contracts with customers

Revenue earned by the Fund is mainly rental income and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The Fund recognizes revenue when it transfers control over the rental space, being when the tenant takes up occupancy. This represents the time when delivery is deemed to have taken place as the Fund has objective evidence that all criteria for acceptance have been satisfied, upon the signing of the contract by the tenant. The signing of the contract by all concerned parties as well as making rental space available for the tenant represents the fulfilment of the performance obligation. contracts usually specify that the due dates of rental payments are on a monthly basis. Revenue from rental income is henceforth recognized accordingly, on an accrual basis.

The Fund does not expect to have any contracts where the period between the transfer of the promised goods or service to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Accounting policy applied prior to October 1, 2018

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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

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. However, some subsidiaries of the Fund are subjected to taxation. Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income, except where they relate to items recorded in shareholders' equity, in which case they are charged or credited to equity.

(i) *Current taxation*

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at year end, and any adjustment to tax payable and tax losses in respect of the previous years.

(ii) *Deferred income taxes*

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

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

Eppley Fund Managers Limited serves as manager and registrar of the Fund, effective. As a result of providing investment advisory, management and registrar services, Eppley 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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

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.

u) Changes in accounting policies

The Fund applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Fund adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of October 1, 2018. Under this method, the standard can be applied either to all contracts at the

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

u) Changes in accounting policies...continued

IFRS 15 Revenue from Contracts with Customers...continued

date of initial application or only to contracts that are not completed at this date. The Fund elected to apply the standard to all contracts as at October 1, 2018.

The adoption of IFRS 15 did not have an impact on OCI or the Fund's operating, investing and financing cash flows.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Fund applied IFRS 9 prospectively, with an initial application date of October 1, 2018. The Fund has not restated the comparative information, which continues to be reported under IAS 39.

The adoption of IFRS 9 did not have a material impact on OCI or the Fund's operating, investing and financing cash flows.

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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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. At September 30, 2019, the Fund has no exposure to market price risk.

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 9.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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, 2019					
Value Fund					
Financial assets					
Accounts receivable	—	—	—	283,838	283,838
Due from related parties	—	—	—	518,605	518,605
Marketable securities	—	4,000,000	—	—	4,000,000
Cash and cash equivalents	32,472,904	—	—	1,780,578	34,253,482
Total financial assets	32,472,904	4,000,000	—	2,583,021	39,055,925
Financial liabilities					
Loans payable	—	7,648,125	3,000,000	80,376	10,728,501
Accounts payable	—	—	—	356,427	356,427
Security and advance deposits	—	—	—	327,021	327,021
Total financial liabilities	—	7,648,125	3,000,000	763,824	11,411,949
Development Fund					
Financial assets					
Accounts receivable	—	—	—	382,539	382,539
Cash and cash equivalents	—	—	—	2,562,170	2,562,170
Total financial assets	—	—	—	2,944,709	2,944,709
Financial liabilities					
Accounts payable	—	—	—	153,167	153,167
Security and advance deposits	245,373	—	—	35,750	281,123
Due to related parties	—	—	—	337,207	337,207
Total financial liabilities	245,373	—	—	526,124	771,497

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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, 2018					
Value Fund					
Financial assets					
Loan receivable	6,500,000	–	–	–	6,500,000
Accounts receivable	–	–	–	267,269	267,269
Due from related parties	–	–	–	847,229	847,229
Cash and cash equivalents	–	–	–	10,237,573	10,237,573
Total financial assets	6,500,000	–	–	11,352,071	17,852,071
Financial liabilities					
Loans payable	–	3,000,000	7,500,000	80,000	10,580,000
Accounts payable	–	–	–	2,040,499	2,040,499
Security and advance deposits	–	–	–	233,001	233,001
Total financial liabilities	–	3,000,000	7,500,000	2,353,500	12,853,500
Development Fund					
Financial assets					
Accounts receivable	–	–	–	411,022	411,022
Due from related parties	–	–	–	–	–
Cash and cash equivalents	–	–	–	1,020,453	1,020,453
Total financial assets	–	–	–	1,431,475	1,431,475
Financial liabilities					
Accounts payable	–	–	–	149,425	149,425
Security and advance deposits	245,373	–	–	38,541	283,914
Due to related parties	–	–	–	847,229	847,229
Total financial liabilities	245,373	–	–	1,035,195	1,280,568

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management ...continued

Market risk ...continued

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

At September 30, 2019, the majority of the Fund's financial assets and liabilities are interest bearing. In the prior year, the financial assets were mainly interest bearing and the financial liabilities were mainly 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, US dollar and Jamaican dollar or currencies fixed to the denominations. Its functional currency is however Barbados dollar. Financial assets exposed to currency risk are mainly Jamaican dollar denominated repurchase agreements. Since the Barbados dollar is pegged to the US dollar, there is no currency exposure. The exposure to the Jamaican dollar is also immaterial.

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, 2019		
Accounts receivable	283,838	382,540
Due from related parties	518,605	—
Marketable securities	4,000,000	—
Cash and cash equivalents	34,253,482	2,562,170
Total financial assets	39,055,925	2,944,710
September 30, 2018		
Loan receivable	6,500,000	—
Accounts receivable	267,269	411,022
Due from related parties	847,229	—
Cash and cash equivalents	10,237,573	1,020,453
Total financial assets	17,852,071	1,431,475

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

4 Financial risk management...continued

Credit risk...continued

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

Accounts receivable comprise mainly of amounts due from the tenants of investment 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 \$
September 30, 2019		
CIBC FirstCaribbean International Bank (not rated)	1,502,380	2,562,170
NCB Capital Markets Limited	27,972,904	—
National Commercial Bank (not rated)	278,198	—
JMMB Bank (Jamaica) Limited	4,500,000	—
Jamaica Money Market Brokers Limited	4,000,000	—
	38,253,482	2,562,170
September 30, 2018		
CIBC FirstCaribbean International Bank (not rated)	10,237,573	1,020,453
	10,237,573	1,020,453

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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 \$	4 months to 1 year \$	1 – 5 years \$	Over 5 years \$	No stated maturity \$	Total \$
Value Fund						
September 30, 2019						
Assets						
Accounts receivable	168,570	115,268	—	—	—	283,838
Due from related parties	—	—	—	—	518,605	518,605
Marketable securities	—	4,039,200	—	—	—	4,039,200
Cash and cash equivalents	34,253,482	—	—	—	—	34,253,482
Total financial assets	34,422,052	4,154,468	—	—	518,605	39,095,125
Liabilities						
Loans payable	120,986	4,980,000	6,996,986	—	—	12,097,972
Accounts payable	356,427	—	—	—	—	356,427
Security and advance deposits	177,288	44,970	80,763	24,000	—	327,021
Total financial liabilities	654,701	5,024,970	7,077,749	24,000	—	12,781,420

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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, 2018					
Assets					
Loan receivable	6,500,000	–	–	–	6,500,000
Accounts receivable	202,247	65,022	–	–	267,269
Due from related parties	–	–	–	847,229	847,229
Cash and cash equivalents	10,237,573	–	–	–	10,237,573
Total financial assets	16,939,820	65,022	–	847,229	17,852,071
Liabilities					
Loans payable	120,986	3,278,795	7,965,000	–	11,364,781
Accounts payable	2,040,499	–	–	–	2,040,499
Security and advance deposits	28,155	28,890	175,956	–	233,001
Total financial liabilities	2,189,640	3,307,685	8,140,956	–	13,638,281

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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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, 2019					
Assets					
Accounts receivable	10,965	361,575	–	10,000	382,540
Cash and cash equivalents	2,562,170	–	–	–	2,562,170
Total financial assets	2,573,135	361,575	–	10,000	2,944,710
Liabilities					
Accounts payable	153,167	–	–	–	153,167
Security and advance deposits	268,123	13,000	–	–	281,123
Due to related parties	337,207	–	–	–	337,207
Total financial liabilities	758,497	13,000	–	–	771,497
September 30, 2018					
Assets					
Accounts receivable	1,852	331,315	–	77,855	411,022
Cash and cash equivalents	1,020,453	–	–	–	1,020,453
Total financial assets	1,022,305	331,315	–	77,855	1,431,475
Liabilities					
Accounts payable	149,425	-	-	-	149,425
Security and advance deposits	270,914	13,000			283,914
Due to related parties	847,229				847,229
Total financial liabilities	1,267,568	13,000	-	-	1,280,568

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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 exit 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.

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.

As at September 30, 2019, there are no financial assets carried at fair value through profit or loss.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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 following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2019 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2019				
Value Fund				
Assets				
Accounts receivable and prepaid expenses	—	390,746	—	390,746
Due from related parties	—	518,605	—	518,605
Marketable securities	4,000,000	—	—	4,000,000
Cash and cash equivalents	34,253,482	—	—	34,253,482
Total	38,253,482	909,351	—	39,162,833
Liabilities				
Loans payable	—	10,728,501	—	10,728,501
Accounts payable and accrued expenses	—	495,545	—	495,545
Security and advance deposits	—	327,021	—	327,021
Total	—	11,551,067	—	11,551,067
Development Fund				
Assets				
Accounts receivable and prepaid expenses	—	439,121	—	439,121
Cash and cash equivalents	2,562,170	—	—	2,562,170
Total	2,562,170	439,121	—	3,001,291
Liabilities				
Accounts payable and accrued expenses	—	495,545	—	495,545
Security and advance deposits	—	281,123	—	281,123
Due to related parties	—	337,207	—	337,207
Total	—	1,113,875	—	1,113,875

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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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, 2018				
Value Fund				
Assets				
Loan receivable	—	6,500,000	—	6,500,000
Accounts receivable	—	277,769	—	277,769
Due from related parties	—	847,229	—	847,229
Cash and cash equivalents	10,237,573	—	—	10,237,573
Total	10,237,573	7,624,998	—	17,862,571
Liabilities				
Loans payable	—	10,580,000	—	10,580,000
Accounts payable and accrued expenses	—	2,180,521	—	2,180,521
Security and advance deposits	—	233,001	—	233,001
Total	—	12,993,522	—	12,993,522
Development Fund				
Assets				
Accounts receivable	—	420,175	—	420,175
Cash and cash equivalents	1,020,453	—	—	1,020,453
Total	1,020,453	420,175	—	1,440,628
Liabilities				
Accounts payable and accrued expenses	—	199,090	—	199,090
Security and advance deposits	—	283,914	—	283,914
Due to related parties	—	847,229	—	847,229
Total	—	1,330,233	—	1,330,233

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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, 2019. 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).

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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5 Investment properties...continued

	Fair value hierarchy/ level	Fair value b/fwd \$	Additions/ (disposals) \$	Foreign exchange (losses)/gains \$	Fair value (losses)/gains \$	Fair value c/fwd \$
Value Fund						
Carlisle House	3	7,500,000	—	—	55,000	7,555,000
No. 24 Broad Street	3	8,800,000	—	—	(420,000)	8,380,000
The Chattel Village	3	1,470,000	—	—	(10,000)	1,460,000
Angels Pen	3	—	5,852,099	(68,098)	1,361,110	7,145,111
227 Marcus Garvey Drive	3	—	3,161,151	(39,738)	137,235	3,258,648
Empire Plaza	3	—	6,576,047	58,154	540,805	7,175,006
Alamac Property	3	—	4,000,000	—	355,000	4,355,000
		17,770,000	19,589,297	(49,682)	2,019,150	39,328,765

During the year the investment properties were appraised by an independent valuer at \$39,328,765 (2018—\$17,700,000).

The Alamac, 227 Marcus Garvey Drive, Angels Pen and Empire Plaza properties were acquired during the year.

Valuations were performed as at August 30, 2019 and September 30, 2019 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;

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(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).

Description	Valuation \$	Valuation technique	Level 3– Range of unobservable inputs	
			Long– term net operating income margin	Capitalisation rate for terminal value
September 30, 2019				
Carlisle House	7,555,000	Discounted cash flows and sales comparison	34%	9.00%
No. 24 Broad Street	8,380,000	Discounted cash flows	92%	8.50%
The Chattel Village	1,460,000	Discounted cash flows	29%	—
Alamac Property	4,355,000	Discounted cash flows	85%	8.75%
Angels Pen	7,145,112	Sales comparison, Residual method and Income capitalization	—	—
227 Marcus Garvey Drive	3,258,648	Income capitalization	—	—
Empire Plaza	7,175,006	Income capitalization	—	—
September 30, 2018				
Carlisle House	7,500,000	Discounted cash flows and sales comparison	34%	10.50%
No. 24 Broad Street	8,800,000	Discounted cash flows	95%	9.50%
The Chattel Village	1,470,000	Discounted cash flows	31%	—

Valuation processes

The Fund's investment properties were valued at August 30, 2019 and September 30, 2019 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).

Eppley 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:

	Cost	Value at b/fwd	Additions/ (disposals)	Impairment gains/(losses)	Value c/fwd
	\$	\$	\$	\$	\$
Development Fund					
Developed properties:					
Villas on the Green villas	7,755,022	2,203,223	(2,182,758)	(20,465)	–
Lime Grove Hillside Villa	1,802,994	920,000	79,235	131,991	1,131,226
Apes Hill Polo Villa #3	1,867,698	1,037,612	–	85,598	1,123,210
Apes Hill Polo Villa #18	1,350,000	1,079,500	–	15,326	1,094,826
Land and properties under development:					
Wotton lands	6,792,578	4,968,000	–	335,800	5,303,800
Holders land	1,826,375	966,000	–	124,200	1,090,200
Rockley– Central area lands	1,591,933	949,900	–	–	949,900
Villas on the Green lands	4,862,044	2,063,531	–	621,506	2,685,037
		14,187,766	(2,103,523)	1,293,956	13,378,199

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 fair value gain of \$1,293,956 (2018– \$1,386,278 impairment losses) 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 \$1,337,819 (2018– \$1,418,777).

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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7 Investment in subsidiaries

The Fund has the following subsidiaries at September 30, 2019:

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%
Alamac Properties Limited	Barbados	100%	—
Retirement Road Holdings Limited	St. Lucia	100%	—
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 total non-controlling interest for the year is \$32,480 (2018—\$2,902,055), which relates to the BET Joint Venture.

During the year, the Value Fund purchased a 100% interest in Retirement Road Holdings Limited, a company incorporated in St. Lucia. This company owns the Empire Plaza, located at 1–3 Retirement Road, Kingston 5, Jamaica. Also acquired during the year is 100% interest in Alamac Properties Limited which is located at Fontabelle, St. Michael, Barbados.

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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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	Alamac Investment Limited	Retirement Road Holdings Limited
	2019	2019	2019
	\$	\$	\$
Current			
Assets	94,309	347,183	340,409
Liabilities	(18,775)	(88,692)	(213,333)
Total current net assets	75,534	258,491	127,076
Non-current			
Assets	—	4,000,000	6,876,047
Liabilities	—	—	(4,029,553)
Total non-current net assets	—	4,000,000	2,846,494
Total net assets	75,534	4,258,491	2,973,570

	The BET Building Joint Venture 2018 \$
Current	
Assets	6,790,509
Liabilities	(41,544)
Total current net assets	6,748,965
Non-current	
Assets	—
Total non-current assets	—
Net assets	6,748,965

Eppley Caribbean Property Fund Limited SCC

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7 Investment in subsidiaries...continued

Summarised statement of comprehensive income:

	The BET Building Joint Venture	Alamac Investment Limited	Retirement Road Holdings Limited
	2019	2019	2019
	\$	\$	\$
Revenue	90,890	74,912	392,441
Expenses	(14,321)	(25,680)	(107,474)
Total comprehensive income for the year	76,569	49,232	284,967
Total comprehensive income allocated to non-controlling interests	32,926	—	—
Distributions paid to non-controlling interests	(2,902,501)	—	—

	The BET Building Joint Venture
	2018
	\$
Revenue	150,000
Expenses	(6,896)
Total comprehensive income for the year	143,104
Total comprehensive income allocated to non-controlling interests	61,535
Distributions paid to non-controlling interests	(215,000)

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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7 Investment in subsidiaries...continued

Summarised cash flows:

	The BET Building Joint Venture	Alamac Investment Limited	Retirement Road Holdings Limited
	2019 \$	2019 \$	2019 \$
Cash flows from operating activities:			
Cash (used) in/generated by operating activities	(86,753)	(89,318)	89,000
Net (decrease)/increase in cash and cash equivalents	(86,753)	(89,318)	89,000
Cash and cash equivalents – beginning of year	132,535	316,350	189,198
Cash and cash equivalents – end of year	45,782	227,032	278,198

	The BET Building Joint Venture 2018 \$
Cash flows from operating activities:	
Cash used in operating activities	(305,455)
Net decrease in cash and cash equivalents	(305,455)
Cash and cash equivalents – beginning of year	534,851
Cash and cash equivalents – end of year	229,396

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

Eppley Caribbean Property Fund Limited SCC

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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, 2019		
Associates	—	3,123,774
Joint ventures	21,234,890	1,728,144
	21,234,890	4,851,918

The amounts recognised in the statement of comprehensive income are as follows:

Joint ventures	43,644	(6,456)
	43,644	(6,456)

September 30, 2018

Associates	—	3,132,176
Joint ventures	19,997,671	2,441,187
	19,997,671	5,573,363

The amounts recognised in the statement of comprehensive income are as follows:

Associates	—	(9,782)
Joint ventures	1,563,000	(16,744)
	1,563,000	(26,526)

i) Investment in associates

Set out below are the associates of the Group as at September 30, 2019, 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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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

i. Investment in associates...continued

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.

ii) Investment in joint ventures

	2019 \$	2018 \$
Value Fund		
At October 1	19,997,671	15,033,130
Addition	—	9,387,682
Share of loss on investment	—	(118,141)
Distribution of profits	(1,710,711)	(5,868,000)
Share of profit	2,947,930	1,563,000
At September 30	21,234,890	19,997,671
Development Fund		
At October 1	5,573,363	4,835,960
Addition	—	814,630
Share of loss on investment	(1,443)	(26,527)
Loss on purchase	—	(2,700)
Distribution of profits	(720,002)	(48,000)
At September 30	4,851,918	5,573,363

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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

ii) *Investment in joint ventures...continued*

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	36%	Equity
Emerald City Trust	Barbados	30%	Equity
Development Fund			
The CS&C Joint Venture— account 2	Barbados	36%	Equity

The Value Fund has a 24% (2018: 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 36% (2018 – 36%) 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 7.6 acres of undeveloped land at Lower Estate and the Cave Shepherd building at 10–14 Broad Street.

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 property held for re-sale in the CS&C Joint Venture were allocated to the Development Fund. Together both cells own 36% (2018: 36%) of the CS&C Joint Venture.

The Value Fund has a 30% (2018: 30%) beneficial interest in The Emerald City Trust. The Trust was formed to facilitate the purchase of the Emerald City Mall, a commercial property at Six Cross Roads, St. Philip, Barbados.

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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

Summarised statement of financial position:

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture
	\$	\$	\$
September 30, 2019			
Assets			
Investment properties	14,535,000	53,050,000	26,320,000
Real estate available for re-sale	—	4,746,864	—
Due from related party	3,292,077	—	—
Accounts receivable and prepaid expenses	(6,730)	38,376	4,000
Cash and cash equivalents	1,223,175	2,018,573	871,755
Total assets	19,043,522	59,853,813	27,195,755
Liabilities			
Loans payable	4,220,829	15,580,493	14,607,094
Capital reserve fund	—	—	105,000
Accounts payable and accrued expenses	20,731	86,837	805,563
Total liabilities	4,241,560	15,667,330	15,517,657
Total assets less liabilities	14,801,962	44,186,483	11,678,098
	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture
	\$	\$	\$
September 30, 2018			
Assets			
Investment properties	12,200,000	52,500,000	26,000,000
Real estate available for re-sale	—	7,501,157	—
Due from related party	3,789,574	—	—
Accounts receivable and prepaid expenses	159,901	2,435,660	1,250
Cash and cash equivalents	1,085,121	3,898,238	956,269
Total assets	17,234,596	66,335,055	26,957,519
Liabilities			
Loans payable	4,859,397	18,289,574	15,408,399
Capital reserve fund	—	—	45,000
Accounts payable and accrued expenses	37,906	3,353,878	207,685
Total liabilities	4,897,303	21,643,452	15,661,084
Total assets less liabilities	12,337,293	44,691,603	11,296,435

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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

ii) Investment in joint ventures...continued

The loans payable in the CS&C Joint Venture include \$3,292,077 (2018– \$3,789,574) payable to the Sunset Joint Venture. The loan was 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. Loans payable in the CS&C Joint Venture also includes \$12,288,416 (2018–\$14,500,000) payable to RBC Royal Bank (Barbados). The loan is at a fixed rate of 4% per annum. It is collateralized by First Debenture Mortgage over the fixed and floating assets of The CS&C Joint Venture incorporating a specific charge over property known as Cave Shepherd Broad Street Building.

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.

The loan payable in the Emerald City Trust Joint Venture is due to FirstCaribbean International Bank (Barbados) Limited. This was to partially assist with the acquisition of Emerald City Shopping Complex and “Block D” (“the Properties”). The loan is secured by first registered mortgage stamped to cover \$15,797,250 over the properties (Emerald City and Block “D”).

Summarised statement of comprehensive income:

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture
	\$	\$	\$
September 30, 2019			
Revenue			
Net rental income	1,190,335	4,700,004	2,235,000
Fair value gains on investment property	2,159,910	550,000	179,978
Gain on sale of property	–	102,434	–
Interest income	177,195	–	–
Total investment income	3,527,440	5,352,438	2,414,978
Expenses			
Interest expense	227,117	719,588	601,069
Net carrying costs of real estate available for re-sale	–	134,691	–
Professional fees	9,500	24,500	55,185
Other operating expenses/(income)	26,154	15,296	(129,138)
Operating expenditure	262,771	894,075	527,116
Total comprehensive income for the year	3,264,669	4,458,363	1,887,862

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

Summarised statement of comprehensive income: ...continued

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture
	\$	\$	\$
September 30, 2018			
Revenue			
Net rental income	1,152,332	4,536,994	186,250
Fair value gains/(losses) on investment property	(322,038)	(60,777)	225,000
Interest income	196,608	1,132	–
Total investment income	1,026,902	4,477,349	411,250
Expenses			
Interest expense	246,730	195,124	51,362
Net carrying costs of real estate available for re-sale	–	77,265	–
Professional fees	9,500	20,500	7,417
Other operating expenses	7,033	215,583	12,037
Operating expenditure	263,263	508,472	70,816
Total comprehensive income for the year	763,639	3,968,877	340,434

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	The Emerald City Trust Joint Venture
	\$	\$	\$
Summarised financial information			
Opening net assets October 1, 2018	12,337,293	44,691,602	11,296,435
Profit for the year	3,264,669	4,458,363	1,887,862
Distributions	(800,000)	(4,963,482)	(1,506,199)
Closing net assets September 30, 2019	14,801,962	44,186,483	11,678,098
Interest in joint venture	24%	36%	30%
Carrying value – Value Fund	3,552,471	14,178,990	3,503,429
Carrying value – Development Fund	-	1,728,144	-

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

Reconciliation of summarised financial information...continued

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture
	\$	\$	\$
Opening net assets October 1, 2017	12,073,654	57,622,726	–
Equity investments	–	–	10,172,483
Profit for the year	763,639	3,968,876	1,123,952
Distributions	(500,000)	(16,900,000)	–
Closing net assets September 30, 2018	12,337,293	44,691,602	11,296,435
Interest in joint venture – 11 months to August 2018	24%	24%	–
Interest in joint venture – At September 30, 2018	24%	36%	30%
Carrying value – Value Fund	2,960,950	13,647,790	3,388,931
Carrying value – Development Fund	-	2,441,186	-

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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

Nature of investment in joint operations...continued

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

	Assets \$	Liabilities \$	Revenues \$	Profit \$	%Interest held
September 30, 2019	1,010,878	326,807	49,437	12,911	50%
September 30, 2018	1,000,926	303,944	65,700	57,145	50%

9 Cash and cash equivalents

	Value Fund 2019 \$	2018 \$	Development Fund 2019 \$	2018 \$
Cash and bank balances	6,280,578	10,237,573	2,562,170	1,020,453
Repurchase agreements	27,972,904	—	—	—
	34,253,482	10,237,573	2,562,170	1,020,453
Less: Interest receivable	(31,735)	—	—	—
	34,221,747	10,237,573	2,562,170	1,020,453

Cash and cash equivalents are placed with leading regional commercial banks. The effective yields on cash at bank is nil (2018— nil). Cash equivalents consists of repurchase agreements of maturity less than three (3) months. These attract effective interests of ranging between 0.1% and 3.65% (2018: nil) per annum.

10 Marketable securities

Marketable securities are placed with leading regional financial institutions. This amount is comprised of a Repurchase Agreement denominated in US dollars, with an investment tenure of 98 days. The effective interest rate is 3.65% per annum. The maturity date is January 6, 2020.

11 Loan receivable

The loan receivable was repaid during the year (2018— \$6,500,000). This represented a vendor's mortgage held in the BET joint venture related to the sale of the CWBET building during the 2017 financial year.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

12 Accounts receivable and prepaid expenses

	Value Fund		Development Fund	
	2019	2018	2019	2018
	\$	\$	\$	\$
Rent receivable from tenants	493,008	413,372	—	—
Other receivables	67,773	54,522	382,540	411,022
Less: provision for impairment of receivables	(276,943)	(200,625)	—	—
	283,838	267,269	382,540	411,022
Prepaid expenses	106,908	10,500	56,581	9,153
Accounts receivables, net of provision for impairment	390,746	277,769	439,121	420,175

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, 2019, within the Value Fund accounts receivables of \$115,267 (2018– \$65,022) were past due but not impaired and accounts receivable of \$276,943 (2018– \$200,625) 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 an amount of \$76,317 (2018– \$20,892) relating to the impairment of its receivables and the total provision amounted to \$276,943 (2018– \$200,625).

As of September 30, 2019, within the Development Fund accounts receivables of \$361,575 (2018–\$331,315) were past due but not impaired and accounts receivable of \$nil (2018 \$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 (2018– \$nil) relating to the impairment of its receivables and the total provision amounted to nil (2018–\$nil).

Eppley Caribbean Property Fund Limited SCC

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September 30, 2019

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13 Accounts payable and accrued expenses

	Value Fund		Development Fund	
	2019	2018	2019	2018
	\$	\$	\$	\$
Due to CS&C Partners	—	1,886,948	—	—
Accounts payable	356,427	153,551	153,167	149,425
Accrued expenses	139,118	140,022	14,551	49,665
	495,545	2,180,521	167,718	199,090

The balance of \$nil (2018: \$1,886,948) payable to the CS&C Partners represents funds payable for the purchase of an additional 12% stake in the CS&C Joint Venture. The amount payable was settled in October 2018.

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.

14 Loans payable

	Value Fund	
	2019	2018
	\$	\$
Bond payable		
Series 1 – 2021	3,020,000	3,020,000
Series 2 – 2023	3,022,500	3,022,500
Series 3 – 2020	4,537,500	4,537,500
	10,580,000	10,580,000
Bridge Loan		
Principal	148,125	—
Accrued interest	376	—
	10,728,501	10,580,000

The current portion due of loans payable amounts to \$228,501 (2018 –\$80,000) for the Value Fund.

The Value Fund has an outstanding bond payable issued in three series. Series 1 carried an interest rate of 4% and matured July 31, 2018. The bond holders agreed to renew this Series for an additional 3 years with a maturity date of July 31, 2021. Series 2 carries an interest rate of 4.5% maturing July 31, 2023. 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 bridge facility was provided by NCB Capital Markets Limited (Jamaica), for the purpose of purchasing properties in Jamaica. The properties purchased were 227 Marcus Garvey Drive located at 227 Marcus Garvey Drive, Kingston 11, St. Andrew and Lots 5 & 6 part of Fairymead Farm, Angels, St. Catherine, respectively. The facility was provided for a period not exceeding 12 months, to mature May 2020.

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.

Eppley Caribbean Property Fund Limited SCC

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15 Dividends per share

As it relates to the Value Fund, a dividend of \$0.024 (2018– \$0.035) per share was declared and paid during the financial year. This amounted to a dividend totaling \$1,335,666 (2018– \$1,947,846).

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 \$3,110,294 (2018– \$1,351,852) 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 \$84,924 (2018– \$117,330) which comprise of property, administrative and other holding costs and is shown net of \$48,592 (2018– \$115,095) of rental income. During the year the remaining four units were sold for net proceeds \$2,277,609, generating a loss of \$112,414.

The carrying costs also include \$36,331 (2018– \$39,604) in property administration and other holding costs from other available for re-sale properties. Gain from the sale of properties during the period amounted to \$36,876 (2018: \$88,803 loss).

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 Eppley Fund Managers Limited amounting to \$298,137 (2018–\$130,554 to Eppley Fund Managers Limited and \$183,181 to Fortress Fund Managers Limited) and \$136,043 (2018–\$33,255 to Eppley Fund Managers Limited and \$100,035 to Fortress Fund Managers Limited) by the Value Fund and the Development Fund respectively.

During the year, investment advisor fees were paid to Eppley Fund Managers Limited amounting to \$298,137 (2018–\$130,554 to Eppley Fund Managers Limited and \$183,181 to Altman Real Estate) and \$136,043 (2018–\$33,255 to Eppley Fund Managers Limited and \$100,035 to Altman Real Estate) by the Value Fund and the Development Fund, respectively.

The amount due from related parties in the Value Fund of \$518,605 (2018– \$847,229) are due from the Development Fund and Emerald City Trust Joint Venture in the amount of \$337,207 and \$181,398, respectively. This amount is interest free and is repayable on demand.

Included in net rental income of the Value Fund is an amount of \$1,083,191 (2018– \$1,007,261) earned from affiliated companies.

Directors and subcommittee fees of \$2,560 (2018– \$18,527) and \$1,440 (2018– \$10,422) 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:

Eppley Caribbean Property Fund Limited SCC

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18 Related party transactions...continued

	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	169,886	1,037,940	1,207,826
Development Fund			
Directors	200,578	4,994,192	5,194,770

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.

A public invitation for subscription was made by Eppley Caribbean Property Limited SCC via prospectus dated June 14, 2019, in Jamaica in respect of cellular shares in the Value Fund at the price of J\$46.18 per share. The offer closed on July 31, 2019, consequently contributing to an increase of 66,528,860 units of shares issued.

	2019		2018	
	Number of shares	\$	Number of shares	\$
Value Fund Shares				
Authorised				
An unlimited number of cellular shares of no par value				
Issued and outstanding	122,181,628	83,128,128	55,652,768	37,209,540
Development Fund Shares				
Authorised				
An unlimited number of cellular shares of no par value				
Issued and outstanding	54,349,890	28,626,291	54,349,890	28,626,291

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

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19 Share capital...continued

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. The common shares are held by the Investment Advisor and 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 they may be traded on the Barbados, Trinidad and Tobago and the Jamaica 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.
- 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, Trinidad and Tobago 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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2019

(expressed in Barbados dollars)

19 Share capital...continued

The Development Fund shares...continued

- 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.

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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Comprehensive income/(loss) attributable to shareholders	3,850,266	(800,863)	573,836	(2,110,700)
Weighted average number of Class "A" shares in issue	63,308,144	55,652,768	54,349,890	54,349,890
Basic and diluted earnings per share	0.06	(0.01)	0.01	(0.04)
Net asset value	88,088,526	39,734,665	20,445,360	19,871,524
Net asset value per share	0.72	0.71	0.38	0.36

21 Subsequent events

A dividend of \$0.024 per share was declared subsequent to the financial year and is payable on January 9, 2020 for the Value Fund. This amounts to a dividend totalling \$2,932,359.08.

The Value Fund completed the acquisition of the Hastings Business Centre in Barbados on November 25, 2019.