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

Consolidated Financial Statements
September 30, 2018
(expressed in Barbados dollars)

Ernst & Young Ltd
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 430 3879
www.ey.com

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 2018, 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 2018 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)

Key audit matter	***How our audit addressed the key audit matter***
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. **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.**	**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.**

Other information included in the Group's 2018 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 Mr. John-Paul Kowlessar.

Ernst & Young Ltd

BARBADOS
31 December 2018

Eppley Caribbean Property Fund Limited SCC
(formerly Fortress Caribbean Property Fund Limited SCC)
Consolidated Statement of Financial Position
As at September 30, 2018

(expressed in Barbados dollars)

	Note	2018 $	2017 $
Value Fund			
Assets			
Investment properties	5	**17,770,000**	20,050,000
Investments in associated companies and joint arrangements	8	**19,997,671**	15,033,130
Loan receivable	11	**6,500,000**	6,500,000
Financial assets at fair value through profit or loss	9	**–**	–
Accounts receivable and prepaid expenses	12	**277,769**	689,182
Due from related parties	18	**847,229**	927,568
Cash and cash equivalents	10	**10,237,573**	13,534,056
Total assets		**55,630,242**	56,733,936
Liabilities			
Loans payable	14	**10,580,000**	10,580,000
Accounts payable and accrued expenses	13	**2,180,521**	325,054
Security and advance deposits		**233,001**	289,988
Total liabilities		**12,993,522**	11,195,042
Total assets less liabilities		**42,636,720**	45,538,894
Equity			
Capital and reserves attributable to the Fund shareholders			
Share capital	19	**37,209,540**	37,209,540
Retained earnings		**2,525,125**	5,273,834
Total shareholders' funds		**39,734,665**	42,483,374
Non–controlling interests	7	**2,902,055**	3,055,520
		42,636,720	45,538,894
Net asset value per share	20	**0.71**	0.76

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

Director

Director

Eppley Caribbean Property Fund Limited SCC
(formerly Fortress Caribbean Property Fund Limited SCC)
Consolidated Statement of Financial Position ... *continued*
As at September 30, 2018
(expressed in Barbados dollars)

	Note	2018 $	2017 $
Development Fund			
Assets			
Real estate available for re–sale	6	**14,187,766**	18,309,377
Investments in associated companies and joint arrangements	8	**5,573,363**	4,835,960
Accounts receivable and prepaid expenses	12	**420,175**	447,303
Due from related parties	18	**–**	48,000
Cash and cash equivalents	10	**1,020,453**	51,725
Total assets		**21,201,757**	23,692,365
Liabilities			
Accounts payable and accrued expenses	13	**199,090**	479,644
Security and advance deposits		**283,914**	302,929
Due to related parties	18	**847,229**	927,568
Total liabilities		**1,330,233**	1,710,141
Total assets less liabilities		**19,871,524**	21,982,224
Equity			
Capital and reserves attributable to the Fund shareholders			
Share capital	19	**28,626,291**	28,626,291
Retained deficit		**(8,754,767)**	(6,644,067)
Total shareholders' funds		**19,871,524**	21,982,224
Net asset value per share	20	**0.36**	0.41

Approved by the Board of Directors on December 12, 2018

_______________ Director　　_______________ Director

Eppley Caribbean Property Fund Limited SCC
(formerly Fortress Caribbean Property Fund Limited SCC)
Consolidated Statement of Changes in Equity
For the year ended September 30, 2018

(expressed in Barbados dollars)

	Attributable to Fund shareholders			
	Share capital $	Retained earnings $	Non–controlling interests $	Total $
Value Fund				
Balance at September 30, 2016	**37,209,540**	**5,611,752**	**9,471,755**	**52,293,047**
Dividends declared 3.5 cents per share (note 15)	–	(1,947,846)	–	**(1,947,846)**
Distributions to non–controlling interests (note 7)	–	–	(6,450,000)	**(6,450,000)**
Total comprehensive income for the year	–	1,609,928	33,765	**1,643,693**
Balance at September 30, 2017	**37,209,540**	**5,273,834**	**3,055,520**	**45,538,894**
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**

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

Eppley Caribbean Property Fund Limited SCC
(formerly Fortress Caribbean Property Fund Limited SCC)
Consolidated Statement of Changes in Equity…*continued*
For the year ended September 30, 2018

(expressed in Barbados dollars)

	Attributable to Fund shareholders		
	Share capital $	**Retained earnings $**	**Total $**
Development Fund			
Balance at September 30, 2016	**28,731,519**	**(4,693,572)**	**24,037,947**
Treasury shares (note 19)	(105,228)	74,840	**(30,388)**
Total comprehensive loss for the year	–	(2,025,335)	**(2,025,335)**
Balance at September 30, 2017	**28,626,291**	**(6,644,067)**	**21,982,224**
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**

Eppley Caribbean Property Fund Limited SCC
(formerly Fortress Caribbean Property Fund Limited SCC)
Consolidated Statement of Comprehensive (Loss)/Income
For the year ended September 30, 2018

(expressed in Barbados dollars)

	Note	2018 $	2017 $
Value Fund			
Revenue			
Net rental income	16	**1,521,075**	1,620,687
Fair value losses on investment property	5	**(2,381,895)**	(623,119)
Share of profit of investments accounted for using the equity method	8	**1,563,000**	1,854,625
Net (loss)/gain on sale of investment property		**(118,141)**	47,205
Net gain on financial assets at fair value through profit or loss	9	**–**	15,611
Interest income		**21,833**	33,745
Dividend income		**–**	2,750
Other income		**6,652**	8,820
Total investment income		**612,524**	2,960,324
Expenses			
Interest expense		**480,000**	479,339
Fund management fees	18	**313,735**	315,701
Investment advisor fees	18	**313,735**	315,701
Professional fees		**193,058**	169,569
Directors and subcommittee fees	18	**18,527**	29,445
Office and administrative expenses		**11,905**	17,630
Impairment charge/(recovery) for receivables	12	**20,892**	(10,754)
Operating expenditure		**1,351,852**	1,316,631
Total comprehensive (loss)/income for the year		**(739,328)**	1,643,693
Attributable to:			
Cellular property fund shareholders		**(800,863)**	1,609,928
Non– controlling interests	7	**61,535**	33,765
Total comprehensive (loss)/income for the year		**(739,328)**	1,643,693
Earnings per share – basic and diluted	20	**(0.01)**	0.03

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

Eppley Caribbean Property Fund Limited SCC
(formerly Fortress Caribbean Property Fund Limited SCC)
Consolidated Statement of Comprehensive Loss
For the year ended September 30, 2018

(expressed in Barbados dollars)

	Note	2018 $	2017 $
Development Fund			
Revenue			
Share of loss of investments accounted for using the equity method	8	**(26,526)**	(28,086)
Interest income		**3,267**	–
Other income		**25,106**	–
Total investment income		**1,847**	(28,086)
Expenses			
Impairment loss on real estate available for re–sale	6	1,386,278	1,405,394
Net carrying costs of real estate available for re–sale	17	156,934	257,238
Professional fees		143,437	133,231
Fund management fees	18	133,290	89,144
Investment advisor fees	18	133,290	89,144
Net loss/(gain) on sale of real estate available for re–sale	17	119,528	(28,125)
Loss on purchase of investment		2,700	–
Directors and subcommittee fees	18	10,422	16,558
Office and administrative expenses		4,835	9,035
Interest expense		21,833	25,630
Operating expenditure		**2,112,547**	1,997,249
Total comprehensive loss for the year		**(2,110,700)**	(2,025,335)
Attributable to:			
Cellular property fund shareholders		**(2,110,700)**	(2,025,335)
Total comprehensive loss for the year		**(2,110,700)**	(2,025,335)
Loss per share – basic and diluted	20	**(0.04)**	(0.04)

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

Eppley Caribbean Property Fund Limited SCC
(formerly Fortress Caribbean Property Fund Limited SCC)
Consolidated Statement of Cash Flows
For the year ended September 30, 2018

(expressed in Barbados dollars)

	2018 $	2017 $
Value Fund		
Cash flows from operating activities		
Total comprehensive income for the year	**(739,328)**	1,643,693
Adjustments for:		
Fair value losses on investment property	**2,381,895**	623,119
Share of loss of investments accounted for using the equity method	**(1,563,000)**	(1,854,625)
Net gain /(loss)on sale of investment property	**118,141**	(47,205)
Net gain on financial assets at fair value through profit or loss	**–**	(15,611)
Impairment charge/(recovery) for receivables	**20,892**	(10,754)
Interest income	**(21,833)**	(33,745)
Interest expense	**480,000**	479,339
Dividend income	**–**	(2,750)
	676,767	781,461
Net decrease/(increase) in accounts receivable and prepaid expenses	**390,521**	(125,058)
Increase in loans receivable	**–**	(6,500,000)
Increase/(decrease) in accounts payable and accrued expenses	**1,855,467**	(1,979,474)
Net decrease in security and advance deposits	**(56,987)**	(57,064)
Net (decrease)/increase in due to/from related parties	**80,339**	(737,778)
Proceeds on sale of investment properties	**–**	16,547,205
Additions to investment properties	**(101,895)**	(473,119)
Proceeds on sale of financial assets at fair value through profit and loss	**–**	23,611
Cash generated from operations	**2,844,212**	7,479,784
Interest received	**21,833**	33,745
Interest paid	**(480,000)**	(479,339)
Dividends received	**–**	2,750
Net cash generated from operating activities	**2,386,045**	7,036,940
Cash flows from investing activities		
Investment in associated companies	**(9,387,682)**	–
Distributions from associated companies	**5,868,000**	6,600,000
Net cash (used in)/generated from investing activities	**(3,519,682)**	6,600,000
Cash flows from financing activities		
Distributions to non–controlling interests	**(215,000)**	(6,450,000)
Dividends paid	**(1,947,846)**	(1,947,846)
Net cash used in financing activities	**(2,162,846)**	(8,397,846)
Net (decrease)/increase in cash and cash equivalents	**(3,296,483)**	5,239,094
Cash and cash equivalents – beginning of year	**13,534,056**	8,294,962
Cash and cash equivalents – end of year	**10,237,573**	13,534,056

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

Eppley Caribbean Property Fund Limited SCC
(formerly Fortress Caribbean Property Fund Limited SCC)
Consolidated Statement of Cash Flows…*continued*
For the year ended September 30, 2018

(expressed in Barbados dollars)

	2018 $	2017 $
Development Fund		
Cash flows from operating activities		
Total comprehensive loss for the year	**(2,110,700)**	(2,025,335)
Adjustments for:		
Share of loss of investments accounted for using the equity method	**26,526**	28,086
Net loss/(gain) on sale of real estate available for re–sale	**119,528**	(28,125)
Impairment loss on real estate available for re–sale	**1,386,278**	1,405,394
Loss on purchase of investments	**2,700**	–
Interest income	**(3,267)**	–
Interest expense	**21,833**	25,630
Operating loss before working capital changes	**(557,102)**	(594,350)
Decrease in accounts receivable and prepaid expenses	**27,128**	17,032
Decrease in accounts payable and accrued expenses	**(263,602)**	(70,310)
(Decrease)/increase in security and advance deposits	**(19,015)**	37,667
Net (increase)/decrease in due to/from related parties	**(32,339)**	737,778
Net proceeds from sale of real estate available for re–sale	**2,615,805**	833,125
Purchase of real estate available for re–sale	**–**	(1,420,000)
Cash generated by/(used in) operations	**1,770,875**	(459,058)
Interest received	**3,267**	–
Interest paid	**(38,785)**	(6,548)
Net cash generated by/(used in) operating activities	**1,735,357**	(465,606)
Cash flows from investing activities		
Investment in associated companies	**(814,629)**	–
Distributions from associated companies	**48,000**	–
Net cash used in investing activities	**(766,629)**	–
Cash flows from financing activities		
Repurchase of shares	**–**	(30,388)
Net cash used in financing activities	**–**	(30,388)
Net increase/(decrease) in cash and cash equivalents	**968,728**	(495,994)
Cash and cash equivalents – beginning of year	**51,725**	547,719
Cash and cash equivalents – end of year	**1,020,453**	51,725

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

(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 Trading on the Trinidad and Tobago Stock Exchange. Each share trades independently.

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

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

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

These consolidated financial statements have been authorised for issue by the Board of Directors on December 12, 2018.

(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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning October 1, 2017 that would be expected to have a material impact on the Fund.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Fund except the following:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and is applicable from January 1, 2018. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value

(expressed in Barbados dollars)

a) Basis of preparation...*continued*

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

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

  option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Fund is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after October 1, 2018.

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

- Transfers of Investment Property –Amendments to IAS 40

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

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.

(expressed in Barbados dollars)

2 Summary of significant accounting policies*...continued*

b) Consolidation*...continued*

i) Subsidiaries...continued

The Fund's subsidiary holdings are set out below:

	2018	2017
Value Fund		
BET Building Joint Venture	57%	57%
Development Fund		
Fortress (St. Lucia) Limited	100%	100%
JK Holdings Limited	100%	100%

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

When the Fund ceases to have control 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.

(expressed in Barbados dollars)

2 Summary of significant accounting policies...*continued*

b) Consolidation...*continued*

ii) Associates...continued

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:

	2018	2017
Development Fund		
Contonou Shores Ltd.	35%	35%
Rockley Development Limited	50%	50%
Canouan CS&F Investments Limited	35%	35%

iii) Joint arrangements

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

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

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

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

(expressed in Barbados dollars)

2 Summary of significant accounting policies*...continued*

b) Consolidation*...continued*

iii) Joint arrangements... continued

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

	2018	2017
Value Fund		
Joint ventures		
The Sunset Joint Venture	24%	24%
The CS&C Joint Venture – account 1	36%	24%
Emerald City Trust	30%	–
Development Fund		
Joint ventures		
The CS&C Joint Venture – account 2	36%	24%
Joint operations		
Rockley Joint Venture	50%	50%

Following the split of the Company on October 1, 2013, into a segregated cell company, the assets of the joint arrangements were allocated to each cell based on the investment objective of each cell as well as the characteristics of the underlying properties of the arrangements. As a result, certain properties within the CS&C Joint Venture were split between the Value Fund and the Development Fund. Together both cells own 36% of the CS&C Joint Venture.

c) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income. Translation differences on non–monetary financial assets such as equities held at fair value through profit or loss are recognised in the consolidated statement of comprehensive income as part of the fair value gain and loss.

(expressed in Barbados dollars)

2 Summary of significant accounting policies...*continued*

d) Financial assets

The Fund classifies its investments into two categories:

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

Financial assets at fair value through profit or loss

i) Classification

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

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

ii) Recognition, derecognition and measurement

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

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

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

(expressed in Barbados dollars)

2 Summary of significant accounting policies*...continued*

d) Financial assets*...continued*

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

ii) Recognition, derecognition and measurement...continued

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

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

iii) Fair value estimation

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

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

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

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

iv) Transfers between levels of the fair value hierarchy

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

(expressed in Barbados dollars)

2 Summary of significant accounting policies *...continued*

d) Financial assets *...continued*

Loans and receivables

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

e) Accounting for leases

Leases in which a significant portion of the risk and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Where the Fund is the leasee, 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.

(expressed in Barbados dollars)

2 Summary of significant accounting policies*…continued*

f) Investment properties*…continued*

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

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

g) Real estate available for re–sale

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

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

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

h) Cash and cash equivalents

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

i) Accounts receivable

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

j) Accounts payable and accrued expenses

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

k) Share capital

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

(expressed in Barbados dollars)

2 Summary of significant accounting policies *…continued*

k) Share capital *…continued*

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

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

l) Net asset value per share and earnings per share

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

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

m) Dividends payable

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

n) Revenue recognition

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

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

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

o) Taxation

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

(expressed in Barbados dollars)

2 Summary of significant accounting policies*...continued*

p) Expenses

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

q) Management and advisor fees

Eppley Fund Managers Limited serves as manager and registrar of the Fund, effective May 4, 2018. 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.

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.

(expressed in Barbados dollars)

3 Critical accounting estimates and assumptions

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

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

4 Financial risk management

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

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

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

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

Market risk

i) Price risk

The Fund is exposed to market price risk arising primarily from the changes in equity prices. At September 30, 2018, 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 10.

(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, 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 and accrued expenses	–	–	–	2,180,521	**2,180,521**
Security and advance deposits	–	–	–	233,001	**233,001**
Total financial liabilities	**–**	**3,000,000**	**7,500,000**	**2,493,522**	**12,993,522**
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 and accrued expenses	–	–	–	199,090	199,090
Security and advance deposits	245,373	–	–	38,541	283,914
Due to related parties	–	–	–	847,229	847,229
Total financial liabilities	**245,373**	**–**	**–**	**1,084,860**	**1,330,233**

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

(expressed in Barbados dollars)

4 Financial risk management *...continued*

Market risk *...continued*

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

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

At September 30, 2018, the majority of the Fund’s financial assets and liabilities are non–interest bearing. This is consistent with the financial assets and liabilities at September 30, 2017. The Fund’s long term debt are fixed rate instruments. As a result the Fund is not subject to significant amounts of cash flow interest risk due to fluctuation in the prevailing levels of market interest rates.

iii) Foreign currency risk

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

Credit risk

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

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

	Value Fund $	Development Fund $
September 30, 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**
September 30, 2017		
Loan receivable	6,500,000	–
Accounts receivable	583,432	372,893
Due from related parties	927,568	48,000
Cash and cash equivalents	13,534,056	51,725
Total financial assets	**21,545,056**	**472,618**

(expressed in Barbados dollars)

4 Financial risk management*...continued*

Credit risk*...continued*

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

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

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

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

	Value Fund $	Development Fund $
Cash and cash equivalents		
September 30, 2018		
CIBC FirstCaribbean International Bank (not rated)	10,237,573	1,020,453
	10,237,573	**1,020,453**
September 30, 2017		
CIBC FirstCaribbean International Bank (not rated)	13,534,056	51,725
	13,534,056	**51,725**

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

(expressed in Barbados dollars)

4 Financial risk management*...continued*

Liquidity risk

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

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

	0 – 3 months $	3 months to 1 year $	1 – 5 years $	No stated maturity $	Total $
Value Fund					
September 30, 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 and accrued expenses	2,180,521	–	–	–	**2,180,521**
Security and advance deposits	28,155	28,890	175,956	–	**233,001**
Total financial liabilities	**2,329,662**	**3,307,685**	**8,140,956**	**–**	**13,778,303**

(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, 2017					
Assets					
Loan receivable	–	–	6,500,000	–	**6,500,000**
Accounts receivable	339,765	243,667	–	–	**583,432**
Due from related parties	17,278	51,834	914,926	–	**984,038**
Cash and cash equivalents	13,534,056	–	–	–	**13,534,056**
Total financial assets	**13,891,099**	**295,501**	**7,414,926**	–	**21,601,526**
Liabilities					
Loans payable	–	3,192,500	8,476,250	–	**11,668,750**
Accounts payable and accrued expenses	325,054	–	–	–	**325,054**
Security and advance deposits	84,694	22,717	182,577	–	**289,988**
Total financial liabilities	**409,748**	**3,215,217**	**8,658,827**	–	**12,283,792**

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.

(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, 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 and accrued expenses	199,090	–	–	–	**199,090**
Security and advance deposits	270,914	13,000	–	–	**283,914**
Due to related parties	847,229	–	–	–	**847,229**
Total financial liabilities	**1,317,233**	**13,000**	**–**	**–**	**1,330,233**
September 30, 2017					
Assets					
Accounts receivable	62,129	219,338	–	91,426	**372,893**
Due from related parties	–	48,000	–	–	**48,000**
Cash and cash equivalents	51,725	–	–	–	**51,725**
Total financial assets	**113,854**	**267,338**	–	**91,426**	**472,618**
Liabilities					
Accounts payable and accrued expenses	479,644	–	–	–	**479,644**
Security and advance deposits	289,729	–	13,200	–	**302,929**
Due to related parties	17,278	51,834	914,926	–	**984,038**
Total financial liabilities	**786,651**	**51,834**	**928,126**	–	**1,766,611**

(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, 2018, there are no financial assets carried at fair value through profit or loss.

(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, 2018 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	–	267,269	–	**267,269**
Due from related parties	–	847,229	–	**847,229**
Cash and cash equivalents	10,237,573	–	–	**10,237,573**
Total	**10,237,573**	**7,614,498**	–	**17,852,071**
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	–	411,022	–	**411,022**
Cash and cash equivalents	1,020,453	–	–	**1,020,453**
Total	**1,020,453**	**411,022**	–	**1,431,475**
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**

(expressed in Barbados dollars)

4 Financial risk management...*continued*

Fair value estimation...*continued*

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

	Level 1 $	Level 2 $	Level 3 $	Total $
September 30, 2017				
Value Fund				
Assets				
Loan receivable	–	6,500,000	–	**6,500,000**
Accounts receivable and prepaid expenses	–	689,182	–	**689,182**
Due from related parties	–	927,568	–	**927,568**
Cash and cash equivalents	13,534,056	–	–	**13,534,056**
Total	**13,534,056**	**8,116,750**	–	**21,650,806**
Liabilities				
Loans payable	–	10,580,000	–	**10,580,000**
Accounts payable and accrued expenses	–	325,054	–	**325,054**
Security and advance deposits	–	289,988	–	**289,988**
Total	–	**11,195,042**	–	**11,195,042**
Development Fund				
Assets				
Accounts receivable	–	447,303	–	**447,303**
Due from related parties	–	48,000	–	**48,000**
Cash and cash equivalents	51,725	–	–	**51,725**
Total	**51,725**	**495,303**	–	**547,028**
Liabilities				
Accounts payable	–	479,644	–	**479,644**
Security and advance deposits	–	302,929	–	**302,929**
Due to related parties	–	927,568	–	**927,568**
Total	–	**1,710,141**	–	**1,710,141**

(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, 2018. 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).

(expressed in Barbados dollars)

5 Investment properties... *continued*

	Fair value hierarchy/ level	Fair value b/fwd $	Additions/ (disposals) $	Fair value (losses)/gains $	Fair value c/fwd $
Value Fund					
Carlisle House	3	**10,000,000**	–	(2,500,000)	**7,500,000**
No. 24 Broad Street	3	**8,750,000**	101,895	(51,895)	**8,800,000**
The Chattel Village	3	**1,300,000**	–	170,000	**1,470,000**
		20,050,000	**101,895**	**(2,381,895)**	**17,770,000**

During the year the investment properties were appraised by an independent valuer at $17,700,000 (2017–$20,050,000).

Valuations are performed as at March 31, 2018 and September 30, 2018 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;

(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, 2018				
Carlisle House	7,500,000	Discounted cash flows and sales comparison	34%	10.5%
No. 24 Broad Street	8,800,000	Discounted cash flows	95%	9.5%
The Chattel Village	1,470,000	Discounted cash flows	31%	–
September 30, 2017				
Carlisle House	10,000,000	Discounted cash flows and sales comparison	60%	10.5%
No. 24 Broad Street	8,750,000	Discounted cash flows	95%	9.5%
The Chattel Village	1,300,000	Discounted cash flows	40%	–

Valuation processes

The Fund’s investment properties were valued at March 31, 2018 and September 30, 2018 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.

(expressed in Barbados dollars)

5 Investment properties... *continued*

At each financial year end the valuation team:

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

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

6 Real estate available for re–sale

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

	Value at b/fwd $	Additions/ (disposals) $	Impairment gains/(losses) $	Value c/fwd $
Development Fund				
Developed properties:				
Villas on the Green villas	**2,759,703**	(458,333)	(419,141)	**1,882,229**
Lime Grove Hillside Villa	**1,058,000**	–	(138,000)	**920,000**
Apes Hill Polo Villa #3	**1,184,149**	–	(146,537)	**1,037,612**
Apes Hill Polo Villa #18	**1,240,000**	–	(160,500)	**1,079,500**
Land and properties under development:				
Wotton lands	**5,336,000**	–	(368,000)	**4,968,000**
Rockley– Cane Gardens lands	**1,748,000**	(1,748,000)	–	**–**
Holders land	**1,150,000**	–	(184,000)	**966,000**
Rockley– Central area lands	**920,000**	–	29,900	**949,900**
Villas on the Green lands	**2,384,525**	–	–	**2,384,525**
Lion Castle land	**529,000**	(529,000)	–	**–**
	18,309,377	**(2,735,333)**	**(1,386,278)**	**14,187,766**

Real estate available for re–sale is carried at lower of cost or net realisable value. During the year impairment tests on the carrying value of the real estate available for re–sale were performed. Based on these tests the real estate available for re–sale were subsequently adjusted to their net realisable values resulting in impairment losses of $1,386,278 (2017– $1,405,394) 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 $1,418,777 (2017– $1,830,938).

(expressed in Barbados dollars)

7 Investment in subsidiaries

The Fund has the following subsidiaries at September 30, 2018:

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

The Value Fund owns a 57% interest in The BET Building Joint Venture which was registered in Barbados on October 12, 2001. The total non–controlling interest for the year is $2,902,055 (2017–$3,055,520), which relates to the BET Joint Venture.

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

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

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

(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 2018 $	2017 $
Current		
Assets	6,790,509	7,123,098
Liabilities	(41,544)	(17,238)
Total current net assets	**6,748,965**	**7,105,860**
Non–current		
Assets	–	–
Total non–current assets	**–**	**–**
Net assets	**6,748,965**	**7,105,860**

Summarised statement of comprehensive income:

	The BET Building Joint Venture 2018 $	2017 $
Revenue	150,000	207,450
Expenses	(6,896)	(128,925)
Total comprehensive income for the year	**143,104**	**78,525**
Total comprehensive income allocated to non–controlling interests	**61,535**	**33,765**
Distributions paid to non–controlling interests	**(215,000)**	**(6,450,000)**

(expressed in Barbados dollars)

7 Investment in subsidiaries*…continued*

Summarised cash flows:

	The BET Building Joint Venture 2018 $	2017 $
Cash flows from operating activities:		
Cash used in from operating activities	(305,455)	(6,716,776)
Net decrease in cash and cash equivalents	**(305,455)**	**(6,716,776)**
Cash and cash equivalents – beginning of year	**534,851**	**7,251,627**
Cash and cash equivalents – end of year	**229,396**	**534,851**

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

8 Investments in associated companies and joint arrangements

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

	Value Fund $	Development Fund $
September 30, 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)**
September 30, 2017		
Associates	–	3,141,958
Joint ventures	15,033,130	1,694,002
	15,033,130	**4,835,960**
The amounts recognised in the statement of comprehensive income are as follows:		
Associates	–	(8,400)
Joint ventures	1,854,625	(19,686)
	1,854,625	**(28,086)**

(expressed in Barbados dollars)

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

i) Investment in associates

Set out below are the associates of the Group as at September 30, 2018, which, in the opinion of the directors, are material to the Group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Fund.

The nature of investment in associates:

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

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

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

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

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

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

(expressed in Barbados dollars)

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

ii) Investment in joint ventures

	2018 $	2017 $
Value Fund		
At October 1	15,033,130	19,778,505
Addition	9,387,682	–
Share of loss on investment	(118,141)	–
Distribution of profits	(5,868,000)	(6,600,000)
Share of profit	1,563,000	1,854,625
At September 30	**19,997,671**	**15,033,130**
Development Fund		
At October 1	1,694,002	1,713,688
Addition	811,929	–
Share of loss on investment	(16,744)	(19,686)
Distribution of profits	(48,000)	–
At September 30	**2,441,187**	**1,694,002**

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% 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% (2017 – 24%) interest in a joint venture partnership called The CS&C Joint Venture. The partnership was formed to facilitate the purchase of land and buildings previously owned by Cave Shepherd and Co. Ltd. and Carter Holdings Limited. The partnership has 13.5 acres of undeveloped land at Lower Estate and the Cave Shepherd building at 10–14 Broad Street. The Carter's properties at Wildey, Barbarees Hill, High Street were sold during the 2017 financial year.

(expressed in Barbados dollars)

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

ii) Investment in joint ventures ... continued

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% (2017: 24%) of the CS&C Joint Venture. An additional 12% stake in the CS&C Joint Venture was purchased by the Fund during the year.

On January 5, 2018, the Value Fund acquired a 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.

Summarised statement of financial position:

	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**

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

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

The loans payable in the CS&C Joint Venture include $nil (2017– $713,012) due to RBTT Merchant Bank Limited and are 10 years and 12 years non–callable mortgage bonds secured by a first mortgage over the properties acquired, stamped to cover $34,500,000. Also included is $3,789,574 (2017– $4,073,573) 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 $14,500,000 (2017–nil) 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").

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

Summarised statement of comprehensive income:

	The Sunset Joint Venture	The CS&C Joint Venture	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**
September 30, 2017			
Revenue			
Net rental income	1,080,332	5,810,959	–
Fair value gains/(losses) on investment property	1,968,921	(771,574)	–
Gain on sale of investment property	–	58,196	–
Net gain on financial assets at fair value through profit or loss	–	9,268	–
Interest income	214,927	35,000	–
Total investment income	**3,264,180**	**5,141,849**	**–**
Expenses			
Interest expense	275,742	293,539	–
Net carrying costs of real estate available for re–sale	–	82,025	–
Professional fees	9,500	18,000	–
Other operating expenses	10,988	70,658	–
Operating expenditure	296,230	464,222	–
Total comprehensive income for the year	**2,967,950**	**4,677,627**	**–**

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

Reconciliation of summarised financial information

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

	The Sunset Joint Venture $	The CS&C Joint Venture $	The Emerald City Trust Joint Venture $
Summarised financial information			
Opening net assets October 1, 2017	**12,073,654**	**57,622,726**	–
Equity investments	–	–	10,172,483
Profit for the year	763,639	2,718,877	1,123,952
Distributions	(500,000)	(16,900,000)	–
Closing net assets September 30, 2018	**12,337,293**	**43,441,603**	**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	**2,960,950**	**13,197,790**	**3,388,931**
Opening net assets October 1, 2016	**9,705,704**	**79,845,099**	–
Profit for the year	2,967,950	4,677,627	–
Distributions	(600,000)	(26,900,000)	–
Closing net assets September 30, 2017	**12,073,654**	**57,622,726**	–
Interest in joint venture	24%	24%	–
Carrying value	**2,897,677**	**13,829,455**	–

(expressed in Barbados dollars)

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

iii) Investment in joint operations

Nature of investment in joint operations

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

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

Nature of investment in joint operations

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

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

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

	Assets $	Liabilities $	Revenues $	Profit/(Loss) $	%Interest held
September 30, 2018	1,000,926	303,944	65,700	57,145	50%
September 30, 2017	1,036,295	281,459	49,050	(12,315)	50%

9 Financial assets at fair value through profit or loss

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

	2018 $	2017 $
Value Fund		
Realised gain	–	15,611
Net gain on financial assets at fair value through profit or loss	**–**	**15,611**

(expressed in Barbados dollars)

10 Cash and cash equivalents

	Value Fund 2018 $	2017 $	Development Fund 2018 $	2017 $
Cash at bank	10,237,573	13,534,056	1,020,453	51,725
Cash and cash equivalents	**10,237,573**	**13,534,056**	**1,020,453**	**51,725**

Cash and cash equivalents are placed with leading regional commercial banks. The effective yield on cash and cash equivalents is nil (2017– nil).

11 Loan receivable

The loan receivable of $6,500,000 (2017– $6,500,000) represents a vendor's mortgage held in the BET joint venture related to the sale of the CWBET building during the 2017 financial year. The amount is due on December 1, 2018. Failing payment, interest shall accrue on the balance at the rate of 10% per annum until payment in full and the moneys hereby secured shall be become immediately due and payable. The collateral security on the loan is the CWBET building, Wildey, St. Michael.

12 Accounts receivable and prepaid expenses

	Value Fund 2018 $	2017 $	Development Fund 2018 $	2017 $
Rent receivable from tenants	**413,372**	480,643	**–**	–
Other receivables	**54,522**	282,521	**411,022**	372,893
Less: provision for impairment of receivables	**(200,625)**	(179,732)	**–**	–
	267,269	583,432	**411,022**	372,893
Prepaid expenses	**10,500**	105,750	**9,153**	74,410
Accounts receivables, net of provision for impairment	**277,769**	689,182	**420,175**	447,303

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, 2018, within the Value Fund accounts receivables of $65,022 (2017– $243,669) were past due but not impaired and accounts receivable of $200,625 (2017– $179,732) 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 $20,892 (2017– $10,754 recovery) relating to the impairment of its receivables and the total provision amounted to $200,625 (2017– $179,732).

(expressed in Barbados dollars)

12 Accounts receivable and prepaid expenses *...continued*

As of September 30, 2018, within the Development Fund accounts receivables of $331,315 (2017–$219,337) were past due but not impaired and accounts receivable of $nil (2017– $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 (2017– $nil) relating to the impairment of its receivables and the total provision amounted to nil (2017–$nil).

13 Accounts payable and accrued expenses

	Value Fund		Development Fund	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Due to CS&C Partners	1,886,948	–	–	–
Accounts payable	153,551	237,663	149,425	434,264
Accrued expenses	140,022	87,391	49,665	45,380
	2,180,521	**325,054**	**199,090**	**479,644**

The balance of $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	
	2018	**2017**
	$	**$**
Bond payable		
Series 1 – 2021	3,020,000	3,020,000
Series 2 – 2019	3,022,500	3,022,500
Series 3 – 2020	4,537,500	4,537,500
	10,580,000	**10,580,000**

The current portion due of loans payable amounts to $80,000 (2017 –$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, 2019. Series 3 carries an interest rate of 5% maturing July 31, 2020. Interest is payable semi–annually in arrears and principal will be fully repaid on maturity. The collateral security on the bond is Carlisle House, Hincks Street, Bridgetown and No.24 Broad Street, Bridgetown.

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

(expressed in Barbados dollars)

15 Dividends per share

A dividend of $0.035 (2017– $0.035) per share was declared during the financial year. This amounted to a dividend totaling $1,947,846 (2017– $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 $1,351,852 (2017– $1,347,395) 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 $117,330 (2017– $118,078) which comprise of property, administrative and other holding costs and is shown net of $115,095 (2017– $124,455) of rental income. During the year one unit was sold for net proceeds $427,606, generating a loss of $30,726.

The carrying costs also include $39,604 (2017– $139,160) in property administration and other holding costs from other available for re–sale properties. Loss from the sale of other properties during the period amounted to $88,803.

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 $130,554 (2017–nil) and $33,255 (2017–nil); Fortress Fund Managers Limited amounting to $183,181 (2017–$315,701) and $100,035 (2017–$89,144) by the Value Fund and the Development Fund respectively. Total fund management fees paid to related parties during the year amounted to $447,025 (2017 – $404,845). As at September 30, 2018, Fortress Fund Managers Limited is no longer considered a related party of the Fund.

During the year, investment advisor fees were paid to Eppley Fund Managers Limited amounting to $130,554 (2017–nil) and $33,255 (2017–nil); Altman Real Estate amounting to $183,181 (2017–$315,701) and $100,035 (2017–$89,144) by the Value Fund and the Development Fund, respectively. Total advisor fees paid to related parties during the year amounted to $447,025 (2017 – $404,845). As at September 30, 2018 Altman Real Estate is no longer considered a related party of the Fund.

The amount due from related parties in the Value Fund of $847,299 (2017– $927,568) are due from the Development Fund. This amount is interest free and is repayable on demand.

(expressed in Barbados dollars)

18 Related party transactions...*continued*

Included in net rental income of the Value Fund is an amount of $1,007,261 (2017– $1,176,121) earned from affiliated companies.

The amount due from related parties of the Development Fund is nil (2017– $48,000). Loan in the prior year was due from the CS&C Joint Venture. This was repaid during the year.

Directors and subcommittee fees of $18,527 (2017– $29,445) and $10,422 (2017– $16,558) were paid during the year by the Value Fund and the Development Fund respectively. Directors' interest (including beneficial interests) in the segregated cellular shares are as follows:

	Number of shares at start of year	Shares excluded due to change of Directors	Number of shares purchased/(sold) in the year	Number of shares at year end
Shareholder Value Fund				
Directors	**789,959**	(779,959)	159,886	**169,886**
Development Fund				
Directors	**789,959**	(779,959)	190,578	**200,578**

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.

(expressed in Barbados dollars)

19 Share capital...*continued*

During the year the Development Fund repurchased nil (2017– nil) fund shares for a total consideration of nil (2017– nil).

	2018		2017	
	Number of shares	$	Number of shares	$
Value Fund Shares				
Authorised				
An unlimited number of cellular shares of no par value				
Issued and outstanding	**55,652,768**	**37,209,540**	**55,652,768**	**37,209,540**
Development Fund Shares				
Authorised				
An unlimited number of cellular shares of no par value				
Balance– beginning of the year	**54,349,890**	**28,626,291**	**54,549,676**	**28,731,519**
Less treasury shares	–	–	(199,786)	(105,228)
Balance– end of the year	**54,349,890**	**28,626,291**	**54,349,890**	**28,626,291**

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. In the prior year, 20 common shares at a total consideration of $10 were issued and outstanding. 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 may be traded on the Barbados Stock Exchange or any other stock exchange as the Directors may determine.

(expressed in Barbados dollars)

19 Share capital...*continued*

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 Stock Exchange or any other stock exchange as the Directors may determine.

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

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

(expressed in Barbados dollars)

20 Earnings per share and net asset value

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

Basic and diluted earnings per share are calculated as follows:

	Value Fund		Development Fund	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Comprehensive income/(loss) attributable to shareholders	**(800,863)**	1,609,928	**(2,110,700)**	(2,025,335)
Weighted average number of Class "A" shares in issue	**55,652,768**	55,652,768	**54,349,890**	54,349,890
Basic and diluted earnings per share	**(0.01)**	0.03	**(0.04)**	(0.04)
Net asset value	**39,734,665**	42,483,374	**19,871,524**	21,982,224
Net asset value per share	**0.71**	0.76	**0.36**	0.41

21 Commitments

Operating lease commitments – where the Value Fund is the lessee

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

	2018	**2017**
	$	**$**
Value Fund		
Not later than 1 year	**152,460**	152,460
Later than 1 year and not later than 5 years	**655,578**	640,332
Later than 5 years	**662,019**	802,194

Operating lease commitments – where the Value Fund is the lessor

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

	2018	**2017**
	$	**$**
Value Fund		
Not later than 1 year	**2,053,422**	1,672,000
Later than 1 year and not later than 5 years	**2,761,020**	4,135,876
Later than 5 years	**–**	–

(expressed in Barbados dollars)

21 Commitments...*continued*

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

	2018 $	2017 $
Value Fund		
Not later than 1 year	**1,001,970**	648,689
Later than 1 year and not later than 5 years	**663,083**	986,486
Later than 5 years	**–**	–

22 Subsequent events

A dividend of $0.024 per share was declared subsequent to the financial year and is payable on January 9, 2019 for the Value Fund. This amounts to a dividend totalling $1,335,666.

In December 2018, an amount of $2,500,000 was received by the Value Fund as an initial repayment on loan receivable of $6,500,000 at September 30, 2018.