

Eppley Caribbean Property Fund Limited SCC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022
(Expressed in Barbados dollars)

Ernst & Young



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EPPLEY CARIBBEAN PROPERTY FUND LIMITED SCC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Eppley Caribbean Property Fund Limited SCC and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position of the Value Fund and the Development Fund as at 30 September 2022, and the consolidated statements of comprehensive income/(loss), consolidated statements of changes in equity and consolidated statements 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 2022 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' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 year. 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 each 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 matters 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 LIMITED SCC

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

Key Audit Matters (Continued)

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
Valuation of investment properties and real estate available for re-sale	
In the Value Fund approximately 57% of the total assets are investment properties. Investment properties are measured at fair value, as determined by specialists engaged by management. Approximately 69% of the total assets of the Development Fund are real estate available for re-sale. Real estate available for re-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. We involved our EY valuation specialists to assess the appropriateness of valuation models used and conclusions made by management's specialists. We verified the underlying data used by management's specialists. Finally, we assessed the adequacy of disclosures in the consolidated financial statements.

Other information included in the Group's 2022 Annual Report

Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 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 will 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 identified above when it becomes available 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF EPPLEY CARIBBEAN PROPERTY FUND LIMITED 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 LIMITED SCC

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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, actions taken to eliminate threats or safeguards applied.

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 LIMITED 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, 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 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, 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 Chantal Bachu.



Barbados
December 28, 2022

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Financial Position

As at September 30, 2022

(expressed in Barbados dollars)

	Note	2022 \$	2021 \$
Value Fund			
Assets			
Intangibles	13	1,446	–
Investment properties	5	75,965,120	73,807,640
Investments in associated companies and joint arrangements	8	34,870,890	31,208,140
Investment securities	12	10,448,534	–
Loan receivable	10	1,776,258	3,752,958
Accounts receivable and prepaid expenses	11	702,960	999,902
Due from related parties	19	728,454	874,987
Cash and cash equivalents	9	8,165,986	16,329,159
Total assets		132,659,648	126,972,786
Liabilities			
Loans payable	15	24,163,837	24,465,538
Accounts payable and accrued expenses	14	1,145,615	1,151,243
Security and advance deposits		420,961	418,572
Deferred taxation		186,910	162,062
Taxation payable		91,007	83,369
Total liabilities		26,008,330	26,280,784
Total assets less liabilities		106,651,318	100,692,002
Equity			
Capital and reserves attributable to the Group shareholders			
Share capital	20	92,610,581	92,919,797
Other reserves		546,248	1,240,354
Retained earnings		13,494,489	6,531,851
Total shareholders' funds		106,651,318	100,692,002
Net asset value per share	21	\$0.78	\$0.74

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

Approved by the Board of Directors on December 28, 2022



Director



Director

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Financial Position (*continued*)

As at September 30, 2022

(expressed in Barbados dollars)

	Note	2022 \$	2021 \$
Development Fund			
Assets			
Real estate available for re-sale	6	13,001,661	13,346,438
Investments in associated companies and joint arrangements	8	3,993,690	4,480,817
Accounts receivable and prepaid expenses	11	429,778	419,523
Cash and cash equivalents	9	1,518,386	1,579,916
Total assets		18,943,515	19,826,694
Liabilities			
Accounts payable and accrued expenses	14	86,316	94,967
Security and advance deposits		63,750	52,375
Due to related parties	19	179,693	390,741
Total liabilities		329,759	538,083
Total assets less liabilities		18,613,756	19,288,611
Equity			
Capital and reserves attributable to the Group shareholders			
Share capital	20	28,626,291	28,626,291
Retained deficit		(10,012,535)	(9,337,680)
Total shareholders' funds		18,613,756	19,288,611
Net asset value per share	21	\$0.34	\$0.35

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

Approved by the Board of Directors on December 28, 2022



Director



Director

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Changes in Equity

For the year ended September 30, 2022

(expressed in Barbados dollars)

	Attributable to Fund shareholders				Total \$
	Share capital \$	Other reserves \$	Retained earnings \$	Non- controlling interests \$	
Value Fund					
Balance at September 30, 2020	93,259,667	(248,774)	1,840,072	31,782	94,882,747
Dividends declared 0.008 cents per share (note 16)	–	–	(1,093,313)	–	(1,093,313)
Repurchase of issued shares	(339,870)	–	38,677	–	(301,193)
Translation reserves	–	1,489,128	–	–	1,489,128
Disposal of a subsidiary	–	–	–	(41,039)	(41,039)
Total comprehensive income for the year	–	–	5,746,415	9,257	5,755,672
Balance at September 30, 2021	92,919,797	1,240,354	6,531,851	–	100,692,002
Dividends declared 1.6 and 0.15 cents per share (note 16)	–	–	(2,592,831)	–	(2,592,831)
Repurchase of issued shares	(309,216)	–	46,085	–	(263,131)
Translation reserves	–	(694,106)	–	–	(694,106)
Total comprehensive income for the year	–	–	9,509,384	–	9,509,384
Balance at September 30, 2022	92,610,581	546,248	13,494,489	–	106,651,318

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

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Changes in Equity...continued

For the year ended September 30, 2022

(expressed in Barbados dollars)

	Attributable to Fund shareholders		
	Share capital \$	Retained earnings \$	Total \$
Development Fund			
Balance at September 30, 2020	28,626,291	(9,515,288)	19,111,003
Total comprehensive income for the year	—	177,608	177,608
Balance at September 30, 2021	28,626,291	(9,337,680)	19,288,611
Total comprehensive loss for the year	—	(674,855)	(674,855)
Balance at September 30, 2022	28,626,291	(10,012,535)	18,613,756

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

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Comprehensive Income/(Loss)

For the year ended September 30, 2022

(expressed in Barbados dollars)

	Note	2022 \$	2021 \$
Value Fund			
Revenue			
Net rental income	17	4,614,267	4,002,628
Fair value gains on investment property	5	2,174,606	941,410
Share of profit of investments accounted for using the equity method	8	5,783,127	3,518,530
Interest income		762,157	703,549
Other income		—	23,595
Total investment income		13,334,157	9,189,712
Expenses			
Interest expense		1,284,112	1,042,819
Fund management fees	19	757,623	722,534
Investment advisor fees	19	757,623	722,534
Professional fees		476,600	611,166
Directors and subcommittee fees	19	10,397	3,320
Office and administrative expenses		25,485	22,282
Impairment charge on receivables	11	11,564	3,572
Net foreign exchange loss		129,309	46,329
Operating expenditure		3,452,713	3,174,556
Profit before tax		9,881,444	6,015,156
Taxation		(372,060)	(259,484)
Net profit for the year		9,509,384	5,755,672
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(694,106)	1,489,128
Total comprehensive income for the year		8,815,278	7,244,800
Attributable to:			
Cellular property fund shareholders		9,509,384	5,746,415
Non-controlling interests		—	9,257
Total comprehensive income for the year		9,509,384	5,755,672
Earnings per share – basic and diluted	21	\$0.07	\$0.04

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

Eppley Caribbean Property Fund Limited SCC

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

For the year ended September 30, 2022

(expressed in Barbados dollars)

	Note	2022 \$	2021 \$
Development Fund			
Revenue			
Share of loss of investments accounted for using the equity method	8	(19,127)	(40,637)
Other income		5,034	—
Total investment income		(14,093)	(40,637)
Expenses			
Fair value loss/(gain) on real estate available for re-sale	6	344,777	(569,165)
Net carrying costs of real estate available for re-sale	18	59,020	115,780
Professional fees		87,632	77,764
Fund management fees	19	82,944	76,640
Investment advisor fees	19	82,944	76,640
Directors and subcommittee fees	19	1,980	680
Office and administrative expenses		1,465	3,416
Operating expenditure/(income)		660,762	(218,245)
Net (loss)/income for the year		(674,855)	177,608
Attributable to:			
Cellular property fund shareholders		(674,855)	177,608
Total comprehensive (loss)/income for the year		(674,855)	177,608
(Loss)/income per share – basic and diluted	21	\$0.00	\$0.00

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

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows

For the year ended September 30, 2022

(expressed in Barbados dollars)

Value Fund	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Profit before tax		9,881,444	6,015,156
Adjustments for:			
Fair value gains on investment property	5	(2,174,606)	(941,410)
Net foreign exchange loss		129,309	46,329
Share of gains of investments accounted for using the equity method	8ii	(5,783,127)	(3,518,530)
Impairment charge for receivables		11,564	–
Depreciation		1,665	2,058
Interest income		(762,157)	(703,549)
Interest expense		1,284,112	1,042,819
Operating income before working capital changes		2,588,204	1,942,873
Net decrease/(increase) in accounts receivable and prepaid expenses		283,833	(499,597)
Decrease in loans receivable		2,000,000	–
Decrease in accounts payable and accrued expenses		(1,983)	(1,529,827)
(Decrease)/increase in security and advance deposits		(715)	169,027
Net decrease/(increase) in due to/from related parties		146,533	(166,307)
Additions to investment properties	5	(401,944)	(9,176,791)
Addition to intangibles	13	(1,445)	–
Cash generated from/(used in) operations		4,612,481	(9,260,622)
Interest received		690,323	697,149
Interest paid		(1,224,042)	(959,233)
Tax paid		(325,861)	(198,731)
Net cash generated from/(used in) operating activities		3,752,901	(9,721,437)
Cash flows from investing activities			
Investment in associated companies	8ii	(423,613)	(11,200,000)
Distributions from associated companies	8ii	2,202,306	942,243
Acquisition of investment securities		(10,400,000)	–
Net cash used in investing activities		(8,621,307)	(10,257,757)
Cash flows from financing activities			
Shares repurchased		(263,131)	(301,193)
Distributions to non-controlling interests		–	(41,039)
Dividends paid	16	(2,592,831)	(1,093,313)
Loans received		5,329,974	13,847,607
Loans repaid		(5,740,589)	–
Net cash (used in)/generated from financing activities		(3,266,577)	12,412,062
Net decrease in cash and cash equivalents		(8,134,983)	(7,567,132)
Effects of foreign exchange rates changes on cash and cash equivalents		(28,190)	7,361
Cash and cash equivalents – beginning of year		16,329,159	23,888,930
Cash and cash equivalents – end of year	9	8,165,986	16,329,159

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

Eppley Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows...continued

For the year ended September 30, 2022

(expressed in Barbados dollars)

Development Fund	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Total comprehensive (loss)/income for the year		(674,855)	177,608
Adjustments for:			
Share of loss of investments accounted for using the equity method	8	19,127	40,637
Fair value gain/(impairment loss) on real estate available for re-sale	6	344,777	(569,165)
Operating loss before working capital changes		(310,951)	(350,920)
(Increase)/decrease in accounts receivable and prepaid expenses		(10,255)	56,632
Decrease in accounts payable and accrued expenses		(8,651)	(95,143)
Increase in security and advance deposits		11,375	14,625
Net decrease in due to/from related parties		(211,048)	(24,824)
Cash used in operations		(529,530)	(399,630)
Net cash used in operating activities		(529,530)	(399,630)
Cash flows from investing activities			
Distributions from associated companies	8	468,000	288,000
Net cash generated by investing activities		468,000	288,000
Net decrease in cash and cash equivalents		(61,530)	(111,630)
Cash and cash equivalents – beginning of year		1,579,916	1,691,546
Cash and cash equivalents – end of year	9	1,518,386	1,579,916

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

1 Incorporation and principal activities

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

Eppley Fund Managers Limited, a mutual fund administrator licensed under the Mutual Funds Act, Barbados, acquired the common shares of the Group 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 Group 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 Group into a segregated cell company was approved. As a result, effective October 1, 2013, the Group was converted to a segregated cell company, Fortress Caribbean Property Fund Limited SCC (“the Group”). The Group 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 Group into the two cells is reflected on the Barbados Stock Exchange, the Company’s primary exchange listing. The Group’s shares are also traded on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange. Each share trades independently.

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

These consolidated financial statements have been authorised for issue by the Board of Directors on December 28, 2022.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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 consolidated 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 Group’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 consolidated 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 Group

Certain new accounting standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. None of these new standards, interpretations and amendments are relevant to the Company or to its operations.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2022 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company except the following:

- **Reference to the Conceptual Framework – Amendments to IFRS 3** (Effective for annual periods beginning on or after January 1, 2022. In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018). The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

a) Basis of preparation...continued

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

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16** (Effective for annual periods beginning on or after January 1, 2022). The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.
- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37** (Effective for annual periods beginning on or after January 1, 2022). In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions.
- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted. The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions. The amendments must be applied prospectively. Early application is permitted and must be disclosed.
- **Classification of Liabilities as Current or Non-current – Amendments to IAS 1** (Effective for annual periods beginning on or after January 1, 2023). In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
 - What is meant by a right to defer settlement
 - That a right to defer must exist at the end of the reporting period
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right
 - That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

a) Basis of preparation...continued

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

- **Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2** (Effective for annual periods beginning on or after January 1, 2023). In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
 - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
 - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures
- **Definition of Accounting Estimates – Amendments to IAS 8** (Effective for annual periods beginning on or after January 1, 2023). In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12** (Effective for annual periods beginning on or after January 1, 2023). In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

b) Consolidation

i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group 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 Group and its subsidiaries are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation ...continued

i) Subsidiaries ...continued

The Group's subsidiary holdings are set out below:

	2022	2021
Value Fund		
Retirement Road Holdings Limited	100%	100%
Alamac Property	100%	100%
ECPF Property Holdings (Trinidad) Limited	100%	100%
Development Fund		
Fortress (St. Lucia) Limited	100%	100%
JK Holdings Limited	100%	100%

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

When the Group 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 Group 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 Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, 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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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 Group 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.

The Group's associate holdings are set out below:

	2022	2021
Development Fund		
Contonou Shores Ltd.	35%	35%
Rockley Development Limited	50%	50%
Canouan CS&F Investments Limited	35%	35%

iii) Joint arrangements

The Group 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 Group 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 Group'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 Group 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 Group 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 Group accounts for its share of the assets, liabilities, revenue and expenses of the joint operation.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

iii) Joint arrangements...continued

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

	2022	2021
Value Fund		
Joint ventures		
The Sunset Joint Venture	24%	24%
The CS&C Joint Venture – account 1	36%	36%
Emerald City Trust	30%	30%
Mall Plaza	40%	40%
693STR Limited	50%	50%
ECPF Molynees Property Holdings Limited	50%	–
	2022	2021
Development Fund		
Joint ventures		
The CS&C Joint Venture – account 2	36%	36%
Joint operations		
Rockley Joint Venture	50%	50%

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

iv) Business combinations

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group, 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 Group. As such, subsidiaries denominated in another currency are translated to Barbados dollars. This therefore gives rise to a translation difference on consolidation. This is reflected in the *Other Comprehensive Income* of the Group.

Transactions and balances

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

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

d) Investment and other financial assets

(i) *Classification*

The Group classifies its financial assets in the following measurement categories:

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

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. The Group can also elect on adoption of IFRS 9, to select the fair value option to eliminate an accounting mismatch. For assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through profit or loss.

(ii) *Recognition and derecognition*

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Investment and other financial assets...continued

(iii) Measurement

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

Equity instruments

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

(vi) Impairment

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

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

e) Accounting for leases

As lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments). The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point. The lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

e) Accounting for leases...continued

Right-of-use asset is measured at cost comprising the following:

- The amount of the initial measurement of lease liability,
- Any lease payments made at or before the commencement date less any lease incentives received,
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned income. Lease income is recognised over the term of the lease to reflect a constant periodic rate of return.

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 Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

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

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

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated statement of comprehensive income. If investment property is reclassified as real estate available for re-sale, its fair value at the date of reclassification becomes its cost for accounting purposes.

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

g) Real estate available for re-sale

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

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

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

h) Cash and cash equivalents

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

i) Accounts receivable

Accounts receivable are amounts due from customers for services performed in the ordinary course of business. These are treated in the manner as financial assets above in note 2(d).

j) Accounts payable and accrued expenses

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

k) Share capital

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

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

Where the Group 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 Group's equity holders until the cellular shares are cancelled, re-issued or disposed of. The Group's policy is not to keep shares in treasury, but, rather, to cancel them once repurchased.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

l) Net asset value per share and earnings per share

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

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

m) Dividends payable

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

n) Revenue from contracts with customers

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

The Group recognises revenue when it transfers control over the rental space, being when the tenant takes up occupancy. This represents the time when delivery is deemed to have taken place as the Group has objective evidence that all criteria for acceptance have been satisfied, upon the signing of the contract by the tenant.

The signing of the contract by all concerned parties as well as making rental space available for the tenant represents the fulfilment of the performance obligation. Contracts usually specify that the due dates of rental payments are on a monthly basis. Revenue from rental income is henceforth recognised accordingly, on an accrual basis.

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

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

o) Taxation

The Group 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 Group is attributable to the Group's cellular shareholders.

In calculating the assessable income of the Group 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 Group shareholders. However, some subsidiaries of the Group are subjected to taxation. Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

o) Taxation...continued

statement of comprehensive income, except where they relate to items recorded in shareholders' equity, in which case they are charged or credited to equity.

(i) Current taxation

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

(ii) Deferred income taxes

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

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

p) Expenses

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

q) Management and advisory fees

Eppley Fund Managers Limited serves as manager and registrar of the Group. As a result of providing investment advisory, management and registrar services, Eppley Fund Managers Limited receives management and advisory fees based on the average net asset value of the Group, calculated monthly and payable in arrears, at the rate of 1.5% per annum of the net asset value of the Value Fund and 0.75% per annum of the net asset value of the Development Fund. The manager receives a progress fee of 4% of the net proceeds of any non-income generating property sold 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 Group'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 Group's performance is evaluated on an overall basis.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

t) Security and advance deposits

The Group 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 IFRS 9 and they are initially recognised at fair value. The deposit is subsequently measured at amortised cost.

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 Group'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 Group to manage these risks are discussed below.

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

The risk management policies employed by the Group 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 Group is exposed to market price risk arising primarily from the changes in equity prices. At September 30, 2022 and 2021, the Group has no exposure to market price risk.

ii) Cash flows and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group holds the majority of its long term borrowings in fixed rate instruments. The details of the Group's long-term borrowings are included in note 15. Any excess cash and cash equivalents of the Group are invested at short-term market interest rates. The effective yield on cash and cash equivalents is disclosed in note 9.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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 Group's exposure to interest rate risk. It includes the Group'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, 2022					
Value Fund					
Financial assets					
Investment securities	48,534	–	10,400,000	–	10,448,534
Loan receivable	–	1,740,000	–	36,258	1,776,258
Accounts receivable	–	–	–	594,479	594,479
Due from related parties	–	–	–	728,454	728,454
Cash and cash equivalents	2,831,865	–	–	5,334,121	8,165,986
Total financial assets	2,880,399	1,740,000	10,400,000	6,693,312	21,713,711
Financial liabilities					
Loans payable	117,486	13,452,842	10,415,508	178,001	24,163,837
Accounts payable	–	–	–	1,068,719	1,068,719
Security and advance deposits	–	–	–	420,961	420,961
Total financial liabilities	117,486	13,452,842	10,415,508	1,667,681	25,653,517
Development Fund					
Financial assets					
Accounts receivable	–	–	–	375,193	375,193
Cash and cash equivalents	–	–	–	1,518,386	1,518,386
Total financial assets	–	–	–	1,893,579	1,893,579
Financial liabilities					
Accounts payable	–	–	–	64,344	64,344
Security and advance deposits	–	–	–	63,750	63,750
Due to related parties	–	–	–	179,693	179,693
Total financial liabilities	–	–	–	307,787	307,787

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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, 2021					
Value Fund					
Financial assets					
Loan receivable	–	3,740,000	–	12,958	3,752,958
Accounts receivable	–	–	–	741,745	741,745
Due from related parties	–	–	–	874,987	874,987
Cash and cash equivalents	13,874,688	–	–	2,454,471	16,329,159
Total financial assets	13,874,688	3,740,000	–	4,084,161	21,698,849
Financial liabilities					
Loans payable	2,044,352	137,796	22,165,459	117,931	24,465,538
Accounts payable	–	–	–	984,108	984,108
Security and advance deposits	–	–	–	418,572	418,572
Total financial liabilities	2,044,352	137,796	22,165,459	1,520,611	25,868,218
Development Fund					
Financial assets					
Accounts receivable	–	–	–	365,963	365,963
Cash and cash equivalents	–	–	–	1,579,916	1,579,916
Total financial assets	–	–	–	1,945,879	1,945,879
Financial liabilities					
Accounts payable	–	–	–	72,887	72,887
Security and advance deposits	–	–	–	52,375	52,375
Due to related parties	–	–	–	390,741	390,741
Total financial liabilities	–	–	–	516,003	516,003

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

4 Financial risk management ...continued

Market risk ...continued

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

At September 30, 2022, the majority of the Group's financial assets and liabilities are interest bearing. In the prior year, the financial assets and liabilities were mainly interest bearing. The Group's long term debt are fixed rate instruments. As a result the Group 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 Group's financial assets and liabilities are denominated in the Barbados dollar, United States dollar and Jamaican dollar or currencies fixed to the denominations. Its functional currency is however Barbados dollar. Financial assets exposed to currency risk are mainly Jamaican dollar denominated repurchase agreements. Since the Barbados dollar is pegged to the US dollar, there is no currency exposure. The exposure to the Jamaican dollar is also immaterial.

Credit risk

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

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

	Value Fund \$	Development Fund \$
September 30, 2022		
Investment securities	10,448,534	—
Loan receivable	1,776,258	—
Accounts receivable	594,479	375,193
Due from related parties	728,454	—
Cash and cash equivalents	8,165,986	1,518,386
Total financial assets	21,713,711	1,893,579
September 30, 2021		
Loan receivable	3,752,958	—
Accounts receivable	741,745	365,963
Due from related parties	874,987	—
Cash and cash equivalents	16,329,159	1,579,916
Total financial assets	21,698,849	1,945,879

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Notes to the Consolidated Financial Statements

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4 Financial risk management...continued

Credit risk...continued

The loan receivable comprised of a vendor's mortgage held in 693STR Limited, for the purchase of property located at 693 Spanish Town Road, Kingston 11, Jamaica. This property was purchased during the current financial year and serves as the collateral security on the loan.

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

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

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

	Value Fund \$	Development Fund \$
September 30, 2022		
CIBC FirstCaribbean International Bank Limited (not rated)	2,181,320	1,518,386
Republic Bank (Barbados) Limited	779,371	—
NCB Capital Markets Limited	82,817	—
NCB Merchant Bank (Trinidad & Tobago) Limited	2,682,160	—
National Commercial Bank Jamaica Limited (not rated)	2,373,430	—
National Commercial Bank Jamaica Limited (DSRA)	54,328	—
JMMB Bank (Jamaica) Limited	12,560	—
	8,165,986	1,518,386
September 30, 2021		
CIBC FirstCaribbean International Bank Limited (not rated)	900,768	1,579,916
Republic Bank (Barbados) Limited	779,566	—
NCB Capital Markets Limited	5,157,631	—
NCB Merchant Bank (Trinidad & Tobago) Limited	2,689,168	—
National Commercial Bank Jamaica Limited (not rated)	774,137	—
JMMB Bank (Jamaica) Limited	4,754,545	—
Jamaica Money Market Brokers Limited	1,273,344	—
	16,329,159	1,579,916

The Group's past due or impaired financial assets are disclosed in note 11.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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 Group.

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

	0 – 3 months \$	4 months to 1 year \$	1 – 5 years \$	Over 5 years \$	No stated maturity \$	Total \$
Value Fund						
September 30, 2022						
Assets						
Investment securities	156,000	468,000	2,496,000	10,712,000	–	13,832,000
Loan receivable	71,058	1,844,400	–	–	–	1,915,458
Accounts receivable	430,682	163,797	–	–	–	594,479
Due from related parties	–	–	–	–	728,454	728,454
Cash and cash equivalents	5,483,826	–	–	2,682,160	–	8,165,986
Total financial assets	6,141,566	2,476,197	2,496,000	13,394,160	728,454	25,236,377
Liabilities						
Loans payable	633,066	3,802,588	15,245,868	10,572,946	–	30,254,468
Accounts payable	1,068,719	–	–	–	–	1,068,719
Security and advance deposits	97,465	65,702	182,414	75,380	–	420,961
Total financial liabilities	1,799,250	3,868,290	15,428,282	10,648,326	–	31,744,148

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

	0 – 3 months \$	4 months to 1 year \$	1 – 5 years \$	Over 5 years \$	No stated maturity \$	Total \$
Value Fund						
September 30, 2021						
Assets						
Loan receivable	81,358	3,964,400	–	–	–	4,045,758
Accounts receivable	627,347	114,398	–	–	–	741,745
Due from related parties	–	–	–	–	874,987	874,987
Cash and cash equivalents	16,329,159	–	–	–	–	16,329,159
Total financial assets	17,037,864	4,078,798	–	–	874,987	21,991,649
Liabilities						
Loans payable	2,491,608	1,113,684	19,572,938	7,197,797	–	30,376,027
Accounts payable	984,108	–	–	–	–	984,108
Security and advance deposits	113,835	18,207	169,539	116,991	–	418,572
Total financial liabilities	3,589,551	1,131,891	19,742,477	7,314,788	–	31,778,707

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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, 2022					
Assets					
Accounts receivable	24,135	341,058	–	10,000	375,193
Cash and cash equivalents	1,518,386	–	–	–	1,518,386
Total financial assets	1,542,521	341,058	–	10,000	1,893,579
Liabilities					
Accounts payable	64,344	–	–	–	64,344
Security and advance deposits	63,750	–	–	–	63,750
Due to related parties	179,693	–	–	–	179,693
Total financial liabilities	307,787	–	–	–	307,787
September 30, 2021					
Assets					
Accounts receivable	87,270	322,253	–	10,000	419,523
Cash and cash equivalents	1,579,916	–	–	–	1,579,916
Total financial assets	1,667,186	322,253	–	10,000	1,999,439
Liabilities					
Accounts payable	72,887	–	–	–	72,887
Security and advance deposits	52,375	–	–	–	52,375
Due to related parties	390,741	–	–	–	390,741
Total financial liabilities	516,003	–	–	–	516,003

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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 Group 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 Group 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 Group. The Group 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 Group 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 Group has used valuation techniques to derive the fair value.

As at September 30, 2022, there are no financial assets carried at fair value through profit or loss.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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 Group's assets and liabilities (by class) not measured at fair value at September 30, 2022 but for which fair value is disclosed. As presented in the table below, the carrying value of the assets and liabilities approximates their fair value at September 30, 2022.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2022				
Value Fund				
Assets				
Investment securities	—	10,448,534	—	10,448,534
Loans receivable	—	1,776,258	—	1,776,258
Accounts receivable and prepaid expenses	—	702,960	—	702,960
Due from related parties	—	728,454	—	728,454
Cash and cash equivalents	8,165,986	—	—	8,165,986
Total	8,165,986	13,656,206	—	21,822,192
Liabilities				
Loans payable	—	24,163,837	—	24,163,837
Accounts payable and accrued expenses	—	1,145,615	—	1,145,615
Security and advance deposits	—	420,961	—	420,961
Total	—	25,730,413	—	25,730,413
Development Fund				
Assets				
Accounts receivable and prepaid expenses	—	429,778	—	429,778
Cash and cash equivalents	1,518,386	—	—	1,518,386
Total	1,518,386	429,778	—	1,948,164
Liabilities				
Accounts payable and accrued expenses	—	86,316	—	86,316
Security and advance deposits	—	63,750	—	63,750
Due to related parties	—	179,693	—	179,693
Total	—	329,759	—	329,759

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2021				
Value Fund				
Assets				
Loans receivable	—	3,752,958	—	3,752,958
Accounts receivable and prepaid expenses	—	999,902	—	999,902
Due from related parties	—	874,987	—	874,987
Cash and cash equivalents	16,329,159	—	—	16,329,159
Total	16,329,159	5,627,847	—	21,957,006
Liabilities				
Loans payable	—	24,465,538	—	24,465,538
Accounts payable and accrued expenses	—	1,151,243	—	1,151,243
Security and advance deposits	—	418,572	—	418,572
Total	—	26,035,353	—	26,035,353
Development Fund				
Assets				
Accounts receivable and prepaid expenses	—	419,523	—	419,523
Cash and cash equivalents	1,579,916	—	—	1,579,916
Total	1,579,916	419,523	—	1,999,439
Liabilities				
Accounts payable and accrued expenses	—	94,967	—	94,967
Security and advance deposits	—	52,375	—	52,375
Due to related parties	—	390,741	—	390,741
Total	—	538,083	—	538,083

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(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...continued

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 Group's objectives when managing capital are to safeguard the Group'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 Group 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, 2022. The fair value gains/losses recognised have been recorded in the consolidated statement of comprehensive income.

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

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

5 Investment properties...continued

	Fair value hierarchy/ level	Fair value b/fwd	Additions	Foreign exchange losses	Fair value (losses)/gains	Fair value c/fwd
2022		\$	\$	\$	\$	\$
Value Fund						
Carlisle House	3	7,000,000	—	—	—	7,000,000
No. 24 Broad Street	3	7,650,000	—	—	(250,000)	7,400,000
The Chattel Village	3	1,450,000	—	—	250,000	1,700,000
Alamac	3	4,300,000	121,266	—	(271,266)	4,150,000
Angels Pen	3	9,100,000	—	—	—	9,100,000
227 Marcus Garvey Drive	3	2,954,774	—	(76,019)	—	2,878,755
Empire Plaza	3	7,996,980	—	(189,233)	907,725	8,715,472
Hastings Business Centre	3	9,850,000	—	—	100,000	9,950,000
105 –107 Marcus Garvey Drive	3	12,800,000	—	—	1,000,000	13,800,000
155–157 Tragarete Road	3	5,089,684	133,682	(39,748)	475,853	5,659,471
52 Valsayn Branch Road	3	5,616,202	146,996	(114,070)	(37,706)	5,611,422
		73,807,640	401,944	(419,070)	2,174,606	75,965,120
2021	Fair value hierarchy/ level	Fair value b/fwd \$	Additions/ (disposals) \$	Foreign exchange (losses)/gains \$	Fair value (losses)/gains \$	Fair value c/fwd \$
Value Fund						
Carlisle House	3	7,350,000	—	—	(350,000)	7,000,000
No. 24 Broad Street	3	8,000,000	—	—	(350,000)	7,650,000
The Chattel Village	3	1,360,000	—	—	90,000	1,450,000
Alamac	3	4,400,000	—	—	(100,000)	4,300,000
Angels Pen	3	8,382,467	—	—	717,533	9,100,000
227 Marcus Garvey Drive	3	3,086,786	—	(132,012)	—	2,954,774
Empire Plaza	3	7,504,575	76,635	(298,663)	714,433	7,996,980
Hastings Business Centre	3	9,450,000	—	—	400,000	9,850,000
105 –107 Marcus Garvey Drive	3	13,288,840	(330,000)	—	(158,840)	12,800,000
155–157 Tragarete Road	3	—	4,286,845	772,747	30,092	5,089,684
52 Valsayn Branch Road	3	—	4,813,311	854,699	(51,808)	5,616,202
		62,822,668	8,846,791	1,196,771	941,410	73,807,640

During the year the investment properties were appraised by independent valuers at \$75,965,120 (2021 – \$73,807,640).

Valuations were performed as at March 31, 2022 and September 30, 2022 by professional independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

5 Investment properties...continued

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;
- 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, 2022				
Carlisle House	7,000,000	Market and Income Capitalization	23.09%	10.00%
No. 24 Broad Street	7,400,000	Income Capitalization	91.69%	8.75%
The Chattel Village	1,700,000	Income Capitalization	38.66%	—
Alamac	4,150,000	Income Capitalization	82.66%	8.75%
Hastings Business Centre	9,950,000	Income Capitalization	100.00%	8.25%
Angels Pen	9,100,000	Sales Comparison and Income Capitalization	—	9.00%
105–107 Marcus Garvey	13,800,000	Income Capitalization	—	8.00%
227 Marcus Garvey Drive	2,878,755	Income Capitalization	—	8.00%
Empire Plaza	8,715,472	Income Capitalization	—	8.93%
155–157 Tragarete Road	5,659,471	Income Capitalization	—	7.00%
52 Valsayn Branch Road	5,611,422	Income Capitalization	—	8.00%

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

5 Investment properties...continued

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

			Level 3— Range of unobservable inputs	
Description	Valuation \$	Valuation technique	Long— term net operating income margin	Capitalisation rate for terminal value
September 30, 2021				
Carlisle House	7,000,000	Market and Income Capitalization	(6.62%)	10.00%
No. 24 Broad Street	7,650,000	Income Capitalization	91.86%	8.75%
The Chattel Village	1,450,000	Income Capitalization	34.55%	—
Alamac	4,300,000	Income Capitalization	85.61%	8.75%
Hastings Business Centre	9,850,000	Income Capitalization	100.00%	8.25%
Angels Pen	9,100,000	Income Capitalization	—	9.00%
105–107 Marcus Garvey	12,800,000	Income Capitalization	—	8.00%
227 Marcus Garvey Drive	2,954,774	Income Capitalization	—	8.00%
Empire Plaza	7,996,980	Income Capitalization	—	9.50%
155–157 Tragarete Road	5,089,684	Income Capitalization	—	7.00%
52 Valsayn Branch Road	5,616,202	Income Capitalization	—	8.00%

Valuation processes

The Group's investment properties were valued at March 31, 2022, and September 30, 2022, 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 Group'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 Group's valuation policies disclosed in note (2f).

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; and
- holds discussions with the independent valuer.

The Group'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.

Eppley Caribbean Property Fund Limited SCC

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(expressed in Barbados dollars)

6 Real estate available for re-sale

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

	Cost \$	Value at b/fwd \$	Fair value gains/(losses) \$	Value c/fwd \$
2022				
Development Fund				
Developed properties:				
Lime Grove Hillside Villa	1,802,994	1,105,228	(3,757)	1,101,471
Apes Hill Polo Villa #3	1,867,698	1,197,607	(30,301)	1,167,306
Apes Hill Polo Villa #18	1,350,000	1,215,277	(34,719)	1,180,558
Land and properties under development:				
Wotton lands	6,792,578	5,244,000	(276,000)	4,968,000
Holders land	1,826,375	984,400	–	984,400
Rockley– Central area lands	1,591,933	874,000	–	874,000
Villas on the Green lands	4,862,044	2,725,926	–	2,725,926
		13,346,438	(344,777)	13,001,661
2021				
Development Fund				
Developed properties:				
Lime Grove Hillside Villa	1,802,994	1,056,570	48,658	1,105,228
Apes Hill Polo Villa #3	1,867,698	1,026,408	171,199	1,197,607
Apes Hill Polo Villa #18	1,350,000	1,049,969	165,308	1,215,277
Land and properties under development:				
Wotton lands	6,792,578	5,060,000	184,000	5,244,000
Holders land	1,826,375	984,400	–	984,400
Rockley– Central area lands	1,591,933	874,000	–	874,000
Villas on the Green lands	4,862,044	2,725,926	–	2,725,926
		12,777,273	569,165	13,346,438

Real estate available for re-sale is carried at lower of cost and 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 loss of \$344,777 (2021 – fair value gains of \$569,165) being recognised.

Eppley Caribbean Property Fund Limited SCC

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For the year ended September 30, 2022

(expressed in Barbados dollars)

6 Real estate available for re-sale...continued

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 Group's real estate available for re-sale would amount to \$1,300,166 (2021 – \$1,334,643).

7 Investment in subsidiaries

The Group has the following subsidiaries at September 30, 2022:

Name	Country of incorporation	Proportion of ordinary shares directly held by parent (%)
Value Fund		
Alamac Properties Limited	Barbados	100%
Retirement Road Holdings Limited	St. Lucia	100%
ECPF Property Holdings (Trinidad) Limited	Trinidad and Tobago	100%
Development Fund		
Fortress (St. Lucia) Limited	St. Lucia	100%
JK Holdings Limited	Barbados	100%

The Value Fund owns a 100% interest in Retirement Road Holdings Limited, a company incorporated in St. Lucia. This company owns the Empire Plaza, located at 1–3 Retirement Road, Kingston 5, Jamaica. The Value Fund also owns a 100% interest in Alamac Properties Limited which is located at Fontabelle, St. Michael, Barbados. Acquired in 2021 was 100% interest in ECPF Property Holdings (Trinidad) Limited, a company incorporated in Trinidad and Tobago. This company owns two properties located at 155–157 Tragarete Road, Woodbrook, Port of Spain, Trinidad and 52 Valsayn Branch Road, adjacent to corner of the Southern Main Road and Churchill Roosevelt Highway, Curepe, Trinidad.

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

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

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

Eppley Caribbean Property Fund Limited SCC

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For the year ended September 30, 2022

(expressed in Barbados dollars)

8 Investments in associated companies and joint arrangements

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

	Value Fund \$	Development Fund \$
September 30, 2022		
Associates	—	3,075,936
Joint ventures	34,870,890	917,754
	<u>34,870,890</u>	<u>3,993,690</u>

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

Associates	—	(17,442)
Joint ventures	5,783,127	(1,685)
	<u>5,783,127</u>	<u>(19,127)</u>

September 30, 2021

Associates	—	3,085,316
Joint ventures	31,208,140	1,395,501
	<u>31,208,140</u>	<u>4,480,817</u>

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

Associates	—	(30,474)
Joint ventures	3,518,530	(10,163)
	<u>3,518,530</u>	<u>(40,637)</u>

i) Investment in associates

Set out below are the associates of the Group as at September 30, 2022, 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 Group.

The nature of investment in associates:

Name of entity	Place of business	Percentage of ownership interest	Measurement method	2022 \$	2021 \$
Development Fund					
Contonou Shores Ltd.	Canouan Island, St. Vincent and the Grenadines	35%	Equity	2,899,857	2,909,237
Canouan CS&F Investments Limited	Canouan Island, St. Vincent and the Grenadines	35%	Equity	176,079	176,079
				<u>3,075,936</u>	<u>3,085,316</u>

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

i) Investment in associates...continued

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

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

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 Group's interest in the associates.

ii) Investments in associates and in joint arrangements

	2022 \$	2021 \$
Value Fund		
At October 1	31,208,140	17,291,276
Investment in joint venture	423,613	11,200,000
Reclassification	—	330,000
Distribution of profits	(2,202,306)	(942,243)
Share of profit/(loss)	5,783,127	3,518,530
Translation differences	(341,684)	(189,423)
At September 30	34,870,890	31,208,140
Development Fund		
At October 1	4,480,817	4,809,454
Share of loss on investment	(9,747)	(12,518)
Share of expenses	(9,380)	(28,119)
Distribution of profits	(468,000)	(288,000)
At September 30	3,993,690	4,480,817

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

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
Mall Plaza	Jamaica	40%	Equity
693STR	Jamaica	50%	Equity
ECPF Molynes Property Holdings Limited	Jamaica	50%	Equity
Development Fund			
The CS&C Joint Venture— account 2	Barbados	36%	Equity

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...continued

The Value Fund has a 24% (2021: 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 Group has a 36% (2021 – 36%) interest in a joint venture partnership called The CS&C Joint Venture. The partnership was formed to facilitate the purchase of land and buildings previously owned by Cave Shepherd and Co. Ltd. and Carter Holdings Limited. The partnership has 7.6 acres of undeveloped land at Lower Estate and the Cave Shepherd building at 10–14 Broad Street.

Following the split of the Group 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% (2021: 36%) of the CS&C Joint Venture.

The Value Fund has a 30% (2021: 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 Value Fund owns a 40% interest in the company called Mall Plaza. The company owns commercial property located at 20 Constant Spring Road, Kingston 10, St. Andrew, Jamaica.

The Value Fund has a 50% interest in the company called 693STR Limited. The company owns commercial property at 693 Spanish Town Road, Kingston 11, St. Andrew, Jamaica.

The Value Fund has a 50% interest in the company called ECPF Molynes Property Holdings Limited. The company holds a 100% interest in a company called Chalmers Commercial Limited, which owns commercial property at Phase 1, Chalmers Commercial Centre, Chalmers Avenue, part of Molynes Gardens, Kingston 10.

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...continued

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 statements of financial position:

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture	693STR Limited Joint Venture	Mall Plaza Joint Venture	ECPF Molynes Property Holdings Limited
	\$	\$	\$	\$	\$	\$
September 30, 2022						
Assets						
Property, plant and equipment	—	—	—	431	31,158,134	—
Investment properties	15,200,000	41,900,000	26,500,000	7,358,833	—	38,600,000
Deferred tax	—	—	—	—	—	67,166
Real estate available for re-sale	—	2,450,653	—	—	—	—
Due from related party	2,583,441	—	—	—	—	—
Accounts receivable and prepaid expenses	88,285	49,430	5,000	5,648	157,740	250,926
Cash and cash equivalents	715,267	826,053	700,438	305,164	913,464	937,498
Total assets	18,586,993	45,226,136	27,205,438	7,670,076	32,229,338	39,855,590
Liabilities						
Borrowings	3,312,104	12,420,263	12,751,867	3,808,679	—	35,513,010
Capital reserve fund	—	—	285,000	—	—	—
Accounts payable and accrued expenses	28,314	103,552	2,212,543	42,555	223,943	504,208
Total liabilities	3,340,418	12,523,815	15,249,410	3,851,234	223,943	36,017,218
Total assets less liabilities	15,246,575	32,702,321	11,956,028	3,818,842	32,005,395	3,838,372

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...continued

Summarised financial information for joint ventures...continued

Summarised statements of financial position: ...continued

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture	693STR Limited Joint Venture	Mall Plaza Joint Venture
	\$	\$	\$	\$	\$
September 30, 2021					
Assets					
Property, plant and equipment	—	—	—	666	30,132,139
Investment properties	14,900,000	40,700,000	26,200,000	6,505,756	—
Real estate available for re-sale	—	3,991,214	—	—	—
Due from related party	2,840,046	25,599	—	—	—
Accounts receivable and prepaid expenses	174,811	51,387	4,000	2,410	151,768
Cash and cash equivalents	1,136,883	797,475	1,084,057	228,244	1,093,696
Total assets	19,051,740	45,565,675	27,288,057	6,737,076	31,377,603
Liabilities					
Borrowings	3,641,085	13,334,075	13,625,016	3,732,102	—
Capital reserve fund	—	—	225,000	—	—
Due to related party	—	—	—	13,982	—
Accounts payable and accrued expenses	49,775	107,156	1,803,384	55,757	392,066
Total liabilities	3,690,860	13,441,231	15,653,400	3,801,841	392,066
Total assets less liabilities	15,360,880	32,124,444	11,634,657	2,935,235	30,985,537

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...continued

Summarised financial information for joint ventures...continued

Borrowings in the CS&C Joint Venture include \$2,583,441 (2021 – \$2,840,046) 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) Limited and the Sunset Joint Venture. Loans payable in the CS&C Joint Venture also includes \$9,836,822 (2021 – \$10,494,029) payable to RBC Royal Bank (Barbados) Limited. The loan is at a fixed rate of 4% per annum. It is collateralised 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 to be stamped to secure \$30,000,000.

Borrowings in the Sunset Joint Venture is due to RBC Royal Bank (Barbados) Limited at a fixed rate of 5% per annum. The loan is secured by a first mortgage stamped to cover \$6,350,000 over property at Sunset Crest #2 St. James.

Borrowings 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 at a fixed rate of 4% per annum and is secured by first registered mortgage stamped to cover \$15,797,250 over the properties (Emerald City and Block “D”).

Borrowings in 693STR Limited is due to the Value Fund. This was to finance the acquisition of real estate at 693 Spanish Town Road, Kingston 11, Jamaica. The loan attracts interest at a fixed rate of 8% per annum, and it is secured by an unregistered mortgage over property registered at Volume 931 Folio 212 in the name of 693STR Limited and Promissory Note.

Borrowings in ECPF Molynes Property Holdings Limited includes a corporate bond with a face value of \$20,800,000 issued to the Value Fund (\$10,400,000) and Chalmers St. Lucia Limited (\$10,400,000.00) at a fixed rate of 6% per annum. The balance outstanding at the end of the reporting period is \$20,890,134.00 (2021: nil), inclusive of principal and interest. This facility assisted with the acquisition of 100% of the ordinary shares of Chalmers Commercial Limited. Also included in borrowings is \$14,622,876 (2021: nil) due to the Development Bank of Jamaica (DBJ). This loan is payable at a fixed rate of 6% per annum. The loan is secured by registered mortgage over commercial properties located at 22 Chalmers Avenue, Molynes Gardens, Kingston 10, corporate guarantee from Cherry Hill Developments Limited in the amount of US\$7,540,934, establishment of a Debt Service Reserve Account (DSRA) of US\$270,840.45 assigned to DBJ, debenture in favour of DBJ over real property and other fixed assets and security interest in and over equipment and any other personal property purchased with the loan. Additional information can be found at note 15.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...continued

Summarised financial information for joint ventures...continued

Summarised statements of comprehensive income:

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture	693STR Limited Joint Venture	Mall Plaza Joint Venture	ECPF Molynes Property Holdings Limited
	\$	\$	\$	\$	\$	\$
September 30, 2022						
Revenue						
Net rental income	1,141,191	2,642,773	2,235,000	—	2,441,369	2,119,564
Fair value gains on investment property	300,000	1,200,000	300,000	688,667	763,434	1,000,000
Interest income	137,207	—	—	2,262	740	2,786
Gain on disposal of property	—	21,376	—	—	—	—
Gain on bargain purchase	—	—	—	—	—	2,303,166
Other income	—	—	—	113,681	1,139,359	—
Total investment income	1,578,398	3,864,149	2,535,000	804,610	4,344,902	5,425,516
Expenses						
Interest expense	175,907	545,001	582,676	297,109	38	1,380,906
Net carrying costs of real estate available for re-sale	—	102,112	—	—	—	—
Professional fees	16,500	39,000	55,900	—	24,276	156,240
Other operating expenses	296	158	572	119,495	283,504	50,000
Operating expenditure	192,703	686,271	639,148	416,604	307,818	1,587,146
Total comprehensive income for the year	1,385,695	3,177,878	1,895,852	388,006	4,037,084	3,838,370

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...continued

Summarised financial information for joint ventures...continued

Summarised statements of comprehensive income: ...continued

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture	Mall Plaza Joint Venture	693STR Limited Joint Venture
	\$	\$	\$	\$	\$
September 30, 2021					
Revenue					
Net rental income	649,015	2,105,210	2,235,000	2,060,713	–
Fair value gains/(losses) on investment property	300,000	(1,700,000)	–	3,352,998	1,959,169
Interest income	149,621	–	–	1,401	–
Gain on disposal of property	–	49,878	–	–	–
Other income	–	–	–	–	2,534
Total investment income	1,098,636	455,088	2,235,000	5,415,112	1,961,703
Expenses					
Interest expense	191,855	579,707	598,663	47,204	318,359
Net carrying costs of real estate available for re-sale	–	280,155	–	–	–
Professional fees	21,500	44,550	70,400	6,665	–
Other operating expenses	221	202	1,348	176,034	151,480
Operating expenditure	213,576	904,614	670,411	229,903	469,839
Total comprehensive income/(loss) for the year	885,060	(449,526)	1,564,589	5,185,209	1,491,864

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...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	693STR Limited Joint Venture	Mall Plaza Joint Venture	ECPF Molynes Property Holdings Limited
	\$	\$	\$	\$	\$	\$
Summarised financial information						
Opening net assets October 1, 2021	15,360,880	32,124,443	11,634,657	2,935,235	30,985,537	–
Share capital	–	–	–	569,112	–	2
Comprehensive income/(loss) for the year	1,385,695	3,177,878	1,895,852	388,006	4,037,084	3,838,370
Distributions	(1,500,000)	(2,600,000)	(1,574,481)	–	(2,115,646)	–
Translation difference	–	–	–	(73,511)	(901,580)	–
Closing net assets September 30, 2022	15,246,575	32,702,321	11,956,028	3,818,842	32,005,395	3,838,372
Interest in joint venture	24%	36%	30%	50%	40%	50%
10% deposit for partner's share in Joint Venture	–	–	–	139,057	–	–
Carrying value – Value Fund	3,659,178	10,855,082	3,586,808	2,048,478	12,802,158	1,919,186
Carrying value – Development Fund	–	917,754	–	–	–	–

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...continued

Reconciliation of summarised financial information...continued

	The Sunset Joint Venture	The CS&C Joint Venture	The Emerald City Trust Joint Venture	693STR Limited Joint Venture	Mall Plaza Joint Venture
	\$	\$	\$	\$	\$
Summarised financial information					
Opening net assets October 1, 2020	14,475,821	33,373,969	11,661,564	–	–
Share capital	–	–	–	1,460,000	27,000,000
Comprehensive income/(loss) for the year	885,059	(449,526)	1,564,589	1,491,864	5,185,209
Distributions	–	(800,000)	(1,591,496)	–	(929,589)
Translation difference	–	–	–	(16,629)	(270,083)
Closing net assets September 30, 2021	15,360,880	32,124,443	11,634,657	2,935,235	30,985,537
Interest in joint venture	24%	36%	30%	50%	50% /40%
Carrying value – Value Fund	3,686,611	10,169,299	3,490,397	1,467,618	12,394,215
Carrying value – Development Fund	–	1,395,501	–	–	–

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

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

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

ii) Investments in associates and in joint arrangements...continued

Nature of investment in joint operations...continued

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

	Assets \$	Liabilities \$	Revenues \$	Profit/(loss) \$	% Interest held
September 30, 2022	874,000	367,623	39,434	(4,492)	50%
September 30, 2021	942,187	357,374	25,600	(15,898)	50%

9 Cash and cash equivalents

	Value Fund		Development Fund	
	2022 \$	2021 \$	2022 \$	2021 \$
Cash and bank balances	5,429,498	2,454,471	1,518,386	1,579,916
Repurchase agreements	—	11,185,520	—	—
Restricted cash	2,736,488	2,689,168	—	—
	8,165,986	16,329,159	1,518,386	1,579,916

Cash and cash equivalents are placed with leading regional commercial banks. There were no effective yields on cash at bank in 2022 and 2021. Cash equivalents consists of repurchase agreements of maturity less than three (3) months and restricted cash. A repurchase agreement is a sale and repurchase agreement in government securities. These attracted effective interests of ranging between nil (2021: 2.5% and 3.7%) per annum. Additional information on the restricted cash balance can be obtained from note 15.

10 Loan receivable

The loan receivable comprised of a vendor's mortgage held in 693STR Limited, for the purchase of property located at 693 Spanish Town Road, Kingston 11, Jamaica. This property was purchased in the previous financial year and serves as the collateral security on the loan. Interest is charged at a rate of 8% per annum.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

11 Accounts receivable and prepaid expenses

	Value Fund		Development Fund	
	2022	2021	2022	2021
	\$	\$	\$	\$
Rent receivable from tenants	556,962	588,234	37,807	32,043
Other receivables	264,917	369,347	367,758	333,920
Less: provision for impairment of receivables	(227,400)	(215,836)	(30,372)	–
	594,479	741,745	375,193	365,963
Prepaid expenses	108,481	258,157	54,585	53,560
Accounts receivables, net of provision for impairment	702,960	999,902	429,778	419,523

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, 2022, within the Value Fund accounts receivables of \$329,562 (2021 – \$372,398) were considered to be recoverable as there are no indications that the debtors would not be able to fulfil their financial obligations in the foreseeable future. However, accounts receivable of \$227,400 (2021 – \$215,836) were considered to be impaired as there is evidence that the debtor may not be able to fulfil this obligation in the foreseeable future.

As of September 30, 2022, within the Development Fund accounts receivables of \$7,435 (2021 – \$32,043) were considered to be recoverable as there are no indications that the debtors would not be able to fulfil their financial obligations in the foreseeable future. However, accounts receivable of \$30,372 (2021 – nil) were considered to be impaired as there is evidence that the debtor may not be able to fulfil this obligation in the foreseeable future.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

12 Investment securities

	2022 \$	2021 \$
Corporate bond payable 2028		
ECPF Molynes Property Holdings Limited:		
- Principal	10,400,000	—
- Interest	48,534	—
	<u>10,448,534</u>	<u>—</u>

The corporate bond attracts interest at the rate of 6% per annum. Additional information can be found at note 8 ii).

13 Intangibles

	Software \$	Total \$
Cost		
At September 30, 2021	323	323
Additions	1,446	1,446
At September 30, 2022	<u>1,769</u>	<u>1,769</u>
Depreciation		
At September 30, 2020	310	310
Charge for the year	13	13
At September 30, 2021	323	323
Charge for the year	—	—
At September 30, 2022	<u>323</u>	<u>323</u>
Net book value		
September 30, 2021	—	—
September 30, 2022	<u>1,446</u>	<u>1,446</u>

14 Accounts payable and accrued expenses

	Value Fund		Development Fund	
	2022 \$	2021 \$	2022 \$	2021 \$
Accounts payable	1,068,719	984,108	64,344	72,887
Accrued expenses	76,896	167,135	21,972	21,972
	<u>1,145,615</u>	<u>1,151,243</u>	<u>86,316</u>	<u>94,859</u>

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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

15 Loans payable

	Value Fund	
	2022	2021
	\$	\$
Bond payable		
Series 1 – 2022	3,018,778	3,020,000
Series 2 – 2023	3,021,126	3,022,500
Series 3 – 2023 (2021)	4,535,209	4,537,500
	<u>10,575,113</u>	<u>10,580,000</u>
Loan payable (1):		
Principal	–	5,300,000
Accrued interest	–	22,083
	<u>–</u>	<u>5,322,083</u>
Loan payable (2):		
Principal	5,657,230	5,961,401
Accrued interest	(6,822)	–
	<u>5,650,408</u>	<u>5,961,401</u>
Loan payable (3):		
Principal	2,584,808	2,586,206
Accrued interest	24,975	15,848
	<u>2,609,783</u>	<u>2,602,054</u>
Loan payable (4):		
Principal	5,243,798	–
Accrued interest	84,735	–
	<u>5,328,533</u>	<u>–</u>
	<u>24,163,837</u>	<u>24,465,538</u>

The current portion of loans payable amounts to \$3,605,292 (2021 – \$3,487,361) 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 an initial maturity date of July 31, 2018. The bond holders agreed to renew this Series with a final maturity date of July 31, 2023. Series 2 carries an interest rate of 4.5% maturing July 31, 2023. Series 3 carried an interest rate of 5% and matured July 31, 2021. The bond holders agreed to renew this Series for an additional 3 years with a maturity date of July 31, 2023. 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 total loans payable amounts to \$24,163,837 (2021: \$24,465,538). Loan payable (1) was received from ALF Investments Limited at rate of 5% per annum and a maturity date of December 23, 2023. Loan payable (1) was received from ALF for the purpose of purchasing a 50% interest in the parcel of land located at 20 Constant Spring Road, Kingston 10, St. Andrew, Jamaica. The collateral security on Loan payable (1) was the Group's share in the parcel of land located at 20 Constant Spring Road, Kingston 10, St. Andrew, Jamaica. This loan was fully repaid as at September 30, 2022. Loan payable (2) was received from NCB Merchant Bank (Trinidad and Tobago) Limited at rate of 7% per annum and a maturity date of April 30, 2036. The purpose of Loan payable (2) was to aid ECPF Property Holdings (Trinidad) Limited ("ECPF"), subsidiary of the Value Fund, in the

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

15 Loans payable...continued

purchase of properties located at 155–157 Tragarete Road, Woodbrook, Port of Spain, Trinidad and 52 Valsayn Branch Road, adjacent to corner of the Southern Main Road and Churchill Roosevelt Highway, Curepe, Trinidad. The collateral security for Loan payable (2) is representative of Loan Agreement, Promissory Note and Deed of Assignment Mortgage.

Loan payable (3) was received from NCB Merchant Bank (Trinidad and Tobago) Limited at fixed rate of 5.75% per annum and a maturity date of April 30, 2023. The purpose of Loan payable (3) was to capitalise ECPF Property Holdings (Trinidad) Limited (“ECPF”), subsidiary of the Value Fund, to aid in its purchase of properties located at 155–157 Tragarete Road, Woodbrook, Port of Spain, Trinidad and 52 Valsayn Branch Road, adjacent to corner of the Southern Main Road and Churchill Roosevelt Highway, Curepe, Trinidad. The collateral security for Loan payable (3) is representative of Loan Agreement and Promissory Note. Loan payable (3) is also collateralised by restricted cash as indicated in note 9.

Loan payable (4) was received from National Commercial Bank Jamaica Limited (NCB) at a fixed rate of 7.15% per annum and a maturity date of March 22, 2032. The purpose of Loan payable (4) was to assist with the purchase of the Value Fund’s 40% stake in Mall Plaza, located at 20 Constant Spring Road, Kingston 10, St. Andrew, Jamaica. Loan payable (4) is secured by a first legal mortgage over the Value Fund’s 40% share of commercial property located at Mall Plaza, Saint Andrew, assignment of peril insurance to NCB and Debt Service Reserve Account (DSRA) as indicated in note 9.

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.

16 Dividends per share

As it relates to the Value Fund, dividend of \$0.016 and \$0.0015 (2021 – \$0.008) per share was declared and paid during the financial year. This amounted to a dividend totaling \$2,592,831 (2021 – \$1,093,313).

There were no dividends paid for the Development Fund in 2022 or 2021.

17 Net rental income

Net rental income earned in the Value Fund is shown net of direct property expenses of \$2,180,461 (2021 – \$2,087,164) incurred in managing the properties.

18 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 carrying costs include \$320,670 (2021 – \$325,630) in property administration and other holding costs from available for re-sale properties. Gain from the sale of properties amounted to \$7,695 (2021: nil). The carrying cost is presented net of rental income of \$261,650 (2021 – \$209,850).

19 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.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

19 Related party transactions...continued

During the year, fund management fees were paid to Eppley Fund Managers Limited amounting to \$757,623 (2021 – \$722,534) and \$82,944 (2021 – \$76,640) by the Value Fund and the Development Fund respectively.

During the year, investment advisor fees were paid to Eppley Fund Managers Limited amounting to \$757,623 (2021 – \$722,534) and \$82,944 (2021 – \$76,640) by the Value Fund and the Development Fund, respectively.

The amount due from related parties in the Value Fund of \$728,454 (2021 – \$874,987) represents \$123,356 and \$605,098 due from the Development Fund and Emerald City Trust Joint Venture, respectively (2021 – Development Fund and Emerald City Trust Joint Venture, of \$390,741 and \$484,246, respectively). These amounts are interest free and are repayable on demand.

The amount due to related parties in the Development Fund of \$179,693 (2021 – \$390,741) represents \$123,356 and \$56,337 due to the Value Fund and Eppley Fund Managers Limited, respectively (2021 – Value Fund of \$390,741). These amounts are interest free and are repayable on demand.

Directors and subcommittee fees of \$10,397 (2021 – \$3,320) and \$1,980 (2021 – \$680) 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:

Shareholder	Number of shares at start of year	Number of shares purchased in the year	Number of shares at year end
Value Fund			
Directors	2,967,467	(2,436,905)	934,139
Development Fund			
Directors	5,194,770	–	5,194,770

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

A public invitation for subscription was made by Eppley Caribbean Property Limited SCC via prospectus dated June 14, 2019, in Jamaica in respect of cellular shares in the Value Fund at the price of J\$46.18 per share. The offer closed on July 31, 2019, consequently contributing to an increase of 66,528,860 units of shares issued. During 2019, there was an additional issuance of 15,447,465 units at Net Asset Value per share of J\$51.79.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

20 Share capital ...continued

	2022		2021	
	Number of shares	\$	Number of shares	\$
Value Fund Shares				
Authorised				
An unlimited number of cellular shares of no par value				
Issued and outstanding	136,044,964	92,610,581	136,499,203	92,919,797
Development Fund Shares				
Authorised				
An unlimited number of cellular shares of no par value				
Issued and outstanding	54,349,890	28,626,291	54,349,890	28,626,291

The Group is authorised to issue 100 common shares and an unlimited number of cellular shares divided into the Value Fund and the Development Fund cells. The common shares are held by the Investment Advisor and Fund Manager, and no common share can be transferred to any person other than another investment advisor or fund manager. The holders of the common shares have the voting rights. Each common share entitles the holder to one vote per share. The holders of the common shares are not entitled to receive dividends.

The Value Fund shares

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

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

- 1) To receive notice of and attend all meetings of shareholders of the Group 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; and
 - 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 Group or other distribution of the assets of the Group 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 Group attributable to the Value Fund, the assets represented by the stated capital and reserves attributable to the Value Fund.

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2022

(expressed in Barbados dollars)

20 Share capital ...continued

The Development Fund shares

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

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

- 1) To receive notice of and attend all meetings of shareholders of the Group 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; and
 - 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 Group or other distribution of the assets of the Group 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 Group attributable to the Development Fund, the assets represented by the stated capital and reserves attributable to the Development Fund.

21 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	
	2022	2021	2022	2021
	\$	\$	\$	\$
Comprehensive income/(loss) attributable to shareholders	9,509,384	5,746,415	(674,855)	177,608
Weighted average number of Class "A" shares in issue	136,367,501	136,722,346	54,349,890	54,349,890
Basic and diluted earnings per share	0.07	0.04	0.00	0.00
Net asset value	106,651,318	100,692,002	18,613,756	19,288,611
Net asset value per share	0.78	0.74	0.34	0.35

Eppley Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

22 Subsequent events

Dividends of \$0.0015 and \$0.0228 per share were declared subsequent to the financial year and is payable on December 16, 2022, and March 8, 2023, respectively, for the Value Fund. This amounts to dividend payable totalling approximately \$204,067 and \$3,107,238, respectively.

On December 12, 2022, the Value Fund acquired the remaining shareholding of 693 Spanish Town Road (“the Property”), increasing its stake from the initial 50% acquired in 2020. The Property is a 3-acre industrial site which forms part of the commercial and industrial zone in Kingston. Spanish Town Road is a prime commercial and industrial zone in Kingston that houses some of the largest manufacturing and distribution companies in Jamaica. 693 Spanish Town Road is comprised of 75,000 square feet of warehouse and office space which is strategically located near to the Port of Kingston and all major transportation and distribution networks in Jamaica.