



The background of the cover features a large, abstract graphic composed of numerous thin, light blue vertical lines that curve and overlap, creating a sense of depth and motion against a dark blue gradient background.

ANNUAL REPORT **2014**

FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC

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

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

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

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Your Future. Our Business.



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ANNUAL REPORT

2014

FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC



Investment Objectives

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

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

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

Fund Details

FUND NAME:	Fortress Caribbean Property Fund Limited SCC	
FUND TYPE:	Closed-End Fund	
LAUNCH DATE:	August 20, 1999	
LAUNCH PRICE: <i>Warrants exercise price</i> <i>Secondary offer price - 10/15/2001</i> <i>Rights issue price - 03/10/2005</i>	\$1.00 per share \$1.00 per share \$1.20 per share \$1.40 per share	
POST SEGREGATION	VALUE FUND	DEVELOPMENT FUND
NO. OF SHARES OUTSTANDING – 9/30/2014	55,652,768	54,999,803
NET ASSETS – 9/30/2014	\$44,692,507	\$26,873,670
NET ASSETS VALUE PER SHARE – 9/30/2014	\$0.80	\$0.49
SHARE PRICE – 9/30/2014	\$0.55	\$0.22
STOCK EXCHANGE LISTINGS:	Barbados Stock Exchange (BSE) Trinidad & Tobago Stock Exchange (TTSE) (suspended)	
MANAGEMENT EXPENSES: <i>Manager:</i>	0.75% per annum of the net assets of the Value Fund 0.375% per annum of the net asset of the Development Fund Progress fee of 2% of the net proceeds of any non-income generating property sold or leased at fair value	
<i>Investment Advisor:</i>	0.75% per annum of the net assets of the Value Fund 0.375% per annum of the net asset of the Development Fund Progress fee of 2% of the net proceeds of any non-income generating property sold or leased at fair value	
FUND VALUATIONS:	Monthly	
INDEPENDENT PROPERTY APPRAISALS:	Annually & Semi-Annually	
NAV QUOTATIONS:	Updated Monthly Internet: www.fortressfund.com	



Directors & Administrators

DIRECTORS

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

BANKER

CIBC FirstCaribbean International Bank
(Barbados) Limited
Broad Street
Bridgetown
Barbados

ATTORNEYS-AT-LAW

Sir Henry deB. Forde, K.A., Q.C.
Juris Chambers
Fidelity House
Wildey Business Park
St. Michael
Barbados

INDEPENDENT AUDITORS

PricewaterhouseCoopers SRL
The Financial Services Centre
Bishop's Court Hill
St. Michael
Barbados

INVESTMENT ADVISOR & PROPERTY MANAGER

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COMPANY SECRETARY

Hanna M. Chrysostom
Broad Street
Bridgetown
St. Michael
Barbados

INDEPENDENT VALUER

Terra Caribbean
Somerley
Worthing
Christ Church
Barbados

INVESTMENT COMMITTEE

John Williams
Algernon Leacock
Roger Cave

AUDIT COMMITTEE

C. Anthony Audain
Algernon Leacock
John Williams

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

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



Reports



Directors' Report

The Fortress Caribbean Property Fund Limited SCC (the Fund) had a very disappointing year in 2014. It is the first full year of operations since the Fund was split into the two new segregated cells on October 1, 2013, namely the Value Fund and the Development Fund. While the Value Fund recorded a profit attributed to the shareholders of \$1.87 million, the Development Fund recorded a loss of \$3.55 million.

The Net Asset Value (NAV) of the Value Fund was flat at \$44.7 million (\$0.80 per share) after paying a dividend of \$0.035 per share in December 2013 which equates to a return of 4.4% for the year. The NAV for the Development Fund declined from \$30.6 million to \$26.9 million (\$0.49 per share) resulting in a -10.9 % return.

The combined NAV is now \$1.29 share which represents an overall decline of 4.4%. As was expected, the Value Fund produced a positive return while the Development Fund had a higher decline in its NAV. The reasons for the weak performance are unchanged from recent years and were driven by fair value losses on the investment properties in the Value Fund and impairment losses on the real estate available for resale in the Development Fund.

The Value Fund recorded fair value losses of \$3.43 million while the Development Fund recorded impairment losses of \$2.57 million. The appraised values of all but two of the Fund's properties in both the Value Fund and the Development Fund recorded declines when compared to the prior year which suggests that the overall real estate market in Barbados continues to decline.

VALUE FUND

Shareholders will recall that the purpose of splitting the Fund was to try and unlock shareholder value between the two types of portfolios held by the Fund. This has been somewhat successful, measured by an improvement in share price since the split. It is expected that income producing properties in the Value Fund would produce attractive returns and that share would trade at a smaller discount to the NAV which would offset the likely declines in the Development Fund resulting in a higher 'trading value' for the two combined shares.

The Value Fund did produce a profit in 2014 but the fair value losses on the investment properties resulted in the return for the year of 4.3%. Excluding these non-cash losses, the Value Fund would have produced a return of 9.2%.

All of the properties in the Value Fund made trading profits before fair value losses were recognised.

The CWBET property is the Value Fund's largest asset and a \$2.5 million fair value loss was recorded on this asset. During the financial year, the tenant, LIME, informed the Fund that they were vacating the property early and it is now mostly vacant. The lease on the property runs until October 31st 2016 and the tenant continues to pay the rent in accordance with the lease. The details of this are extensively covered in the Property Managers' report. This asset accounts for 46% of the total assets of the Value Fund and therefore it could have a material impact on the rental income of the Value Fund in the financial year ending September 2017 if the property is not re-tenanted by that time. Extensive work has commenced to evaluate all the alternative re-development options, including the possibility of an outright sale.

This is an excellent site and while there is certainly going to be some short-term disruption, we remain very optimistic for the potential future value of this asset. We expect an application to be submitted to Town Planning before the end of 2014 for the upgrade of the existing building and the sub-division of the property. The original \$18 million loan to finance this asset has been fully repaid and given the financial strengths of the owners, there should be no problem to finance the re-development of the property.

The Value Fund's other commercial properties continue to perform in line with expectations. Carlisle House remains a challenge with continued vacancy which can only change if and when the government develops and executes a "desperately needed" plan for the re-vitalization of Bridgetown.

The CS&C and Sunset Joint Ventures continue to produce solid returns and with the loan balances now down to just 15% of the asset values the opportunity for either new cash for the Value Fund through refinancing or higher rental incomes or a combination of both offer scope for both growth and higher future returns for the Value Fund.

BOND FINANCING

The last tranche of the Property Fund Bond which was issued back in 2009 matures in July of 2015. The intention was to re-issue the bond in 2014, but this was not practical due to the security issues relating to the final maturity of the Series (1) Bond. In this regard, the Fortress Caribbean High Interest Fund financed the repayment of the Series (3) tranche in 2014 on a short-term basis and we anticipate the full bond being re-issued in 2015.

DIVIDENDS

The Directors have declared a dividend of \$0.035 on the Value Fund share for the year ended September 30th 2014. The dividend equates to a 7% dividend yield based on the trading price of the Value Fund shares \$0.50 per share as at November 20th 2014.

TRADING OF SHARES

The Value Fund shares last traded at \$0.50 per share on the Barbados Stock Exchange which represents a 37.5% discount to the Fund's Net Asset Value. We anticipated that the discount would have been less given the earnings and dividend yield, but we respect that the uncertainties surrounding the BET building and the Barbados economy in general will have an impact on the level of investor confidence at this time. For investors with a long term view we still believe this share represents an attractive opportunity at these levels.

DEVELOPMENT FUND

Shareholders will recall that the objective of the Development Fund is to hold the non-income producing assets held by the Fund and to seek to actively try to realise value from these assets through sale, joint venture and/or development over the medium term. The idea was and still is not to "fire sale" the assets in a declining, difficult market but to purposefully try to optimise shareholder value over some reasonable time period.

As reported earlier in this report, all of the properties held in the Development Fund with the exception of the Villas on the Green units recorded non cash impairment losses amounting to \$2.57 million. The total losses for the Development



Fund were \$3.55 million amounting to a 10.9% reduction in the NAV. Some of the largest expenses relate to the carrying costs for the Villas on the Green project in St. Lucia and some large one-off expenses relating to the Orange Hill project in Rockley in Barbados.

We are happy to report that three more units were sold at Villas on the Green resulting in net cash proceeds of \$1.4 million. While a small loss of \$19,745 was recorded on these sales, the majority of the debt relating to this project has now been cleared and therefore future sales of the remaining nine units will result in positive cash flows for the Fund.

Plans are well advanced to construct a pool at Villas On The Green which we expect to commence in May 2015 and should further assist with the sales of the remaining nine units, two of which are already agreed for sale.

All of the other Development Fund's properties are in Barbados and they are all listed for sale with the leading real estate agents in Barbados. Sale of two of the CS&C lots at Lower Estate was agreed before the end of the financial year. At the time of writing, the sales had not yet closed but should close shortly after the year end.

We accepted an offer on Holders Cottage during the year but the purchaser was unable to secure the necessary financing and the transaction fell through.

The Development Fund shares continue to trade at a 55% discount to its net asset value. A key part of our strategy is to use the proceeds from asset sales to buy-back shares on the stock exchange to reduce the discount. During the year 652,965 shares of the Development Fund were bought back at an average price of \$0.22 per share for a total consideration of \$140,557. This enhances NAV which is currently at \$0.49 per share.

The Fund has adequate cash resources to continue to cover its expenses and property operating costs for the next few years and any asset sales will provide additional cash resources to continue the buy-back of shares on the BSE. The Fund is not expected to pay any dividends in the coming years.

OTHER MATTERS

The Trinidad & Tobago Security & Exchange Commission (TTSEC) has approved the re-listing of the shares of both the Value Fund and the Development Fund on the Trinidad & Tobago Stock Exchange. Both Funds continue to trade at unacceptable discounts to NAV on the Barbados Stock Exchange (BSE), see the table of the trading prices and discounts for both Funds below.

As at November 20th 2014, the trading prices and discounts to NAV were as follows;

	<u>Share Price 11/20/2014</u>	<u>NAV 9/30/2014</u>	<u>Discount To NAV</u>
FCPF SCC - Value Fund Shares	\$0.50	\$0.80	37%
FCPF SCC - Development Fund Shares	\$0.22	\$0.49	55%

LOOKING FORWARD

The economic challenges facing Barbados that began with the global financial crisis in 2008 are still with us. While we remain hopeful and optimistic that the recent projections by the Central Bank for a return to economic growth in 2015 come to pass, the Barbados fiscal position has significantly worsened since the crisis began. The country's debt has doubled and despite significant increases in taxes and job cuts in the civil service, the government continues to run fiscal deficits of unsustainable levels.

It is still not clear how this situation will be ultimately resolved but recent examples from other countries in the region and elsewhere would suggest that there could be more austerity to come and it will be some time before we can reasonably expect a return to the previous "normal" economic conditions in Barbados.

Given the back-drop mentioned above, the prospects for this Fund will be challenging as investor confidence will remain weak until the prospects for the country's future become clearer. For the Value Fund, the additional uncertainty on the future tenancy of the BET Building will be a drag on investor confidence until this becomes clearer, therefore it is possible that the trading discount to NAV could prevail for some time.

For the Development Fund, the significant write-downs in the values of the Fund's properties over the last five years have brought them to levels that we believe must soon be of real interest to potential investors. With the additional 55% trading discount to NAV, the return prospects for patient investors who are seeking capital appreciation over the long-term are reasonably attractive.

That said, the near-term prospects will be challenging and the focus remains on trying to realise cash from prudent asset sales and return value to shareholders through share buy-backs which will result in a boost to the Development Fund's underlying NAV.

We thank you our shareholders for your patience and support through these most difficult times.



Geoffrey Cave
Chairman



Investment Advisors' Report

During 2014, the Investment Advisors have been guided by the stated strategy of the Fund since the split into a segregated cell company effective October 1, 2013. The Fund was divided into two segregated cells - the Value Fund and the Development Fund. The intention behind the split was to separate the two dominant types of assets owned by the Fund, into value or income producing assets and development assets.

The thinking behind this was to stem the fall in share price of the Fund by allowing the two new classes of shares to find their own levels. The expectation was that the Value Fund share price would increase significantly because of the good returns on that fund and that the Development Fund would gradually increase as development assets were divested and turned into cash.

The strategy which was enunciated at the last shareholders meeting was to:

- Actively divest development assets
- Buy back shares at values below NAV, thereby enhancing shareholder value
- Seek new income producing properties for the Value Fund where cash resources permitted or where the share price allowed for issuance of shares as part of the consideration for acquisitions or as part of a new rights issue

There has been some trading in the Value Fund shares on the Barbados Stock Exchange but the shares continued to trade at significant discount to the NAV and in these circumstances it would be extremely difficult to raise capital through a rights issue or to offer shares in the Fund to a prospective seller of property.

The Investment Advisors have been focused on asset management and active divestment of the Development Fund assets and reviewing potential acquisitions with a very disciplined approach that disregards any potential residential or development assets. Many opportunities have been declined for these reasons. Opportunities to purchase good income producing assets were examined but failed at negotiation stage. These included:

- Potential purchase of a retail mall in St Lucia
- Potential purchase of some fast food outlets in Barbados

DEVELOPMENT FUND

The strategy of divestment of development assets is progressing well in a poor market. During the year the following were achieved:

- Sale of an additional three units at Villas on the Green
- Planning permission for the subdivision of the Wotton site into six lots
- Agreement to sell two lots at Lower Estate

Approaches have been made to sell or form a joint venture related to the Worthing Great House lands. There has been quite a lot of sales interest on the Holders site but no sale yet.

VALUE FUND

During the year, the Advisors were able to secure arrangements for good rent increases in return for capital expenditure at both the Cave Shepherd buildings in Bridgetown as well as the Sunset Mall in Holetown.

However the primary focus was the BET building in Wildey which is approaching the end of its lease by LIME. They have now vacated the buildings but are still using the telecoms infrastructure within the compound and continue to pay their rent. They have also indicated a desire to enter into a new lease for the cell tower for at least another 10 years.

The BET Joint Venture, of which the Value Fund owns 57%, has continued progress on planning issues related to redevelopment of the property. Meetings have been held with all regulatory authorities with very encouraging results. The technical studies required for a planning application have been completed and a submission will be made to the Town and Country Development Planning Office early in the new year.

In parallel with these activities, the BET Joint Venture Board has reached agreement with LIME to market the property for sale and the marketing activities are in progress. A brochure and a website are in place and signage is on site.

GENERAL MARKET CONDITIONS

Barbados

Most of the Fund's assets are in Barbados which, consistent with the tax benefits the Fund has, make ownership of property in Barbados more financially viable.

As we said last year we fully expect very poor market conditions to continue for a period of five years. In fact market conditions have declined further in the last twelve months. Barbados has suffered further downgrades by S&P and Moody's and the government's austerity programme has not been effective in eliminating the fiscal deficit. The Central Bank is predicting a modest recovery in 2015 but this comes against a backdrop of planned tax reform which will almost certainly be, of itself, recessionary. What is particularly disturbing for the Fund, is the loss of employment and income which many Barbadians are facing and the increasing foreclosure on properties by the commercial banks. This is particularly the case in the residential market but commercial properties have not been immune.

We expect the need for continued austerity programmes and government downsizing for at least the next two years and little or no growth. On a positive note there is evidence of a pickup in stay over and cruise tourism numbers in 2015 and there is firm evidence of increased property investment activity both from foreign and local sources. Our principal source markets have recovered well and their currencies are strong.

There are opportunities available at good value and the Advisors will be seeking ways to unlock capital in 2015 to make acquisitions.

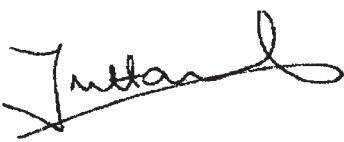
Caribbean

In the wider Caribbean the picture is more rosy than in Barbados. Nearly every other country has seen GDP growth and predictions for 2015 are for continued growth. Countries like St Kitts have been very successful with their "Citizenship by Investment" programmes and there are major resort developments proceeding in St Lucia and Antigua. The spin-off effects of these developments, in small island states, are of paramount importance.

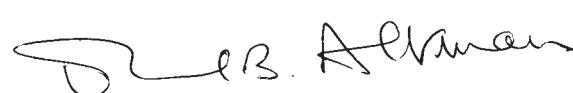
Many of the countries of the Caribbean have been through IMF structural adjustment programmes and seem to have benefited from the structure and discipline which the programmes have brought.

The Advisors will be seeking new opportunities in other islands in the coming year.

In conclusion we anticipate that there will be a number of new opportunities in the commercial sector both in Barbados and the wider Caribbean, possibly of distressed assets with good fundamentals. We will work closely with the Fund Manager to find ways to unlock capital for these acquisitions.



Terry Hanton



Paul Altman

Corporate Governance

BOARD COMPOSITION & STRUCTURE

The following table sets forth the name and year of appointment of the current members of the Board of Directors, followed by a short description of each member's business experience, education and activities:

Members of the Board of Directors

NAME	PROFESSION	NATIONALITY	POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
R. Geoffrey Cave	Business Executive	Barbadian	Non-Executive Chairman
John M. B. Williams	Business Executive, Cave Shepherd & Co. Limited	Barbadian	Non-Executive Director
Paul Altman	Business Executive, Altman Real Estate	Barbadian	Non-Executive Director
C. Anthony Audain	Attorney-at-Law, Aastra Law Chambers	Barbadian	Independent Director
Maureen D. Davis	Business Executive, Duty Free Caribbean (Holdings) Ltd.	Barbadian	Non-Executive Director
Sir Trevor Carmichael	Attorney-at-Law, Chancery Chambers	Barbadian	Independent Director
Terry Hanton	Business Executive, Property Consultancy Services Inc.	British	Non-Executive Director
H.C. Algernon Leacock	Business Executive, Trident Insurance Company Limited	Barbadian	Independent Director

EDUCATION, PROFESSIONAL BACKGROUND, OTHER ACTIVITIES AND FUNCTIONS

Mr. R. Geoffrey Cave
CBE, BCH,
Hon. LLD (UWI)
Chairman
Born 1942



Geoffrey Cave is currently Chairman of Fortress Caribbean Property Fund Limited, SCC.

He has served as an Independent Senator of Barbados in the Upper House from October 2009 until February 2013. In 2007, the University of the West Indies conferred on him an honorary degree of Doctor of Laws (LLD) and in the Queen's New Years' Honour's List in 2003, he was appointed Commander of the Most Excellent Order of the British Empire. His distinguished career in business in Barbados and the region was recognized in 2011 when he was honoured with the Caribbean Master Entrepreneur Award.

Mr. Cave holds a B. Comm. from McGill University in Canada.

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



John Williams joined the Fortress Caribbean Property Fund Board in 2006. He is a member of the Audit Committee.

He currently serves as Chief Executive Officer for Cave Shepherd & Co. Ltd. He has over 25 years' experience in senior management positions in both services and manufacturing.

In 2011, he was appointed Chairman of the Barbados Private Sector Association, a position he held until January 2014. Previously, he has served as Chairman of the Barbados Investment & Development Corporation, President of the Barbados Chamber of Commerce and Industry and Deputy President of the Institute of Chartered Accountants of Barbados.

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

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



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

Mr. Altman has been involved in real estate for the past 39 years, and in recent years, has been at the forefront of developments in the luxury residential market. He was instrumental in the highly successful Royal Westmoreland golf residential community, where he held the post of Deputy Chairman; and he heads the development of Limegrove Lifestyle Centre, Barbados' first mixed use centre. He is a Past President of the Barbados National Trust and is now a member of the Task Force on the Preservation of Barbados' Built Heritage. Mr. Altman serves as the Chairman of the Campus Council of the University of the West Indies, Cave Hill Campus.

Mr. C. Anthony Audain
LLB, MBA
Independent
Director
Born 1953



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

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

Mr. Audain was the Chief Executive Officer of the Nation Group of Companies until September, 2008.

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

**Mrs. Maureen D.
Davis**
Non-Executive
Director
Born 1964



Maureen Davis joined the Fortress Caribbean Property Fund Board in 1999. She is currently the Chief Development Officer of Duty Free Caribbean (Holdings) Ltd, a position she has held since that company's formation in the year 2000.

Mrs. Davis serves on the Board of the Tourism Development Corporation, and is a Council member of the Barbados Museum and Historical Society.

**Sir Trevor
Carmichael**
K.A., Q.C., G.C.M.
Independent
Director
Born 1945



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

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

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

Mr. Terry Hanton
F.C.A., MRICS
Non-Executive
Director
Born 1955



Terry Hanton joined the Fortress Caribbean Property Fund Board in 1999. He is a Chartered Accountant and Chartered Valuer who specializes in consultancy services to the real estate and hospitality sectors in Barbados.

Mr. Hanton is also a member and accredited valuer of the Barbados Estate Agents & Valuers Association (BEAVA) and previously held the position of Vice-President of this organization. He has over ten (10) years experience in conducting valuations for residential and commercial properties.

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



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

Mr. Leacock is the President and Chief Executive Officer of Trident Insurance Company Limited, a Barbados general insurance company.

He holds a B.A in Economics and a B. Comm. from the University of Western Ontario and an MBA from the University of the West Indies.

Directors' Shareholdings (all beneficial)

Directors' shareholdings as at September 30, 2014 and as at December 12, 2014, are as follows:

	Shares as at 30-Sep-14	Shares as at 30-Sep-14	Shares as at 12-Dec-14	Shares as at 12-Dec-14
	Value Fund Shares	Development Fund Shares	Value Fund Shares	Development Fund Shares
R. G. Cave	32,000	32,000	32,000	32,000
J.M.B. Williams	17,000	17,000	17,000	17,000
P. Altman	659,920	659,920	659,920	659,920
C.A. Audain	26,000	26,000	26,000	26,000
M. Davis	21,506	21,506	21,506	21,506
Sir T. Carmichael	26,333	26,333	26,333	26,333
T. Hanton	7,200	7,200	7,200	7,200
H.C.A Leacock	NIL	NIL	NIL	NIL

Note: There was no change in directors' shares between the period October 1, 2014 and December 12, 2014.

BOARD OPERATIONS

During 2014, the Board of Directors (BOD) met three times. The Audit Committee (AC) met twice and the Corporate Governance & Nomination (CG&NC) met twice. Directors' record of attendance was as follows:

	BOD	AC	CG&NC	TOTAL
R. G. Cave	3/3			3/3
J.M.B. Williams	3/3	2/2		5/5
P. Altman	3/3			3/3
C.A. Audain	2/3	2/2	2/2	6/7
M. Davis	3/3			3/3
Sir T. Carmichael	3/3		1/2	4/5
T. Hanton	3/3			3/3
H.C.A. Leacock	2/3	2/2	2/2	6/7

Committees

AUDIT COMMITTEE

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

The majority of the members of the Audit Committee are independent Directors. An independent member is someone who is inter alia, independent of a significant shareholding in Fortress Caribbean Property Fund Limited, SCC and/or someone who has not been an executive member of the Company in the last two years.

The Audit Committee assists the Board in meeting its responsibilities in ensuring an effective system of financial reporting, internal control and risk management. It provides a direct channel of communication between the Auditors and the Board and assists the Board in ensuring that the audit is conducted in a thorough, objective and cost-effective manner.

CORPORATE GOVERNANCE & NOMINATION COMMITTEE

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

The Corporate Governance & Nomination Committee is comprised of independent Directors. An independent member is someone who is inter alia, independent of a significant shareholding in Fortress Caribbean Property Fund Limited, SCC and/or someone who has not been an executive member of the Company in the last two years.

The purpose of the Committee is to ensure that corporate fairness, transparency and accountability is promoted in the pursuit of the company's goals and objectives. To this end, the Committee is to obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings if it considers this necessary.

For further information, please refer to our website www.fortressfund.com.

Company Secretary

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



Hanna Chrysostom joined Cave Shepherd & Co. Limited as Group Corporate Secretary in July 2013 and was appointed to the Fortress Caribbean Property Fund Board in August, 2013.

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

Ms. Chrysostom also holds a Master in Business Administration from Durham University.



The CWBET Building

Location - Wildey, Barbados

Fair Market Value - \$32.0 million

Tenantable Space - 84,838 square feet

Fund Allocation - Value Fund

The Fund owns a 57% share in The BET Joint Venture that owns this property. Cable & Wireless has leased back the property for a fifteen year term, ending in October 2016, with annual rental increments of 5%.

During the twelve months ended September 30, 2014 The BET Joint Venture earned \$5.3 million (2013 - \$5.0 million) in gross rental.

The independent valuer has reduced the value of the property assuming substantial reduction in potential rents after the end of the current lease and a period of vacancy for refurbishment and lease up. The valuers have revalued the land and buildings at \$32.0 million (2013 - \$34.5 million) resulting in a fair value loss of \$2.5 million (2013 - \$400,000).

The joint venture has made a profit after interest of \$2.6 million compared to \$4.3 million in 2013, after deduction of the fair value losses.

LIME personnel are no longer operating from the buildings but their telecoms infrastructure is still being operated from the property. They understand that they have remaining obligations under the lease and they are meeting those obligations. They also wish to enter into a new long term lease in respect of the cell tower.

Work on the technical studies required for a planning application to develop the cricket field and ancillary lands is complete and the planning application will be submitted before the end of 2014. In parallel The BET board is considering all options going forward, and since October 2014 the property has been offered for sale through two major realtors, in order to see what interest there is in the market place.

The Board remains confident that this very exciting site will generate significant interest from either buyers or potential tenants, because of its excellent location and this view is shared by our partners Sagicor and the National Insurance Board.



No. 24 Broad Street

Location - Bridgetown, Barbados
Fair Market Value - \$8.5 million
Tenantable Space - 14,000 square feet
Property Type - Commercial
Fund Allocation - Value Fund

No. 24 Broad Street is in the centre of Bridgetown. It encompasses 14,000 square feet of office and retail space. The building is leased on a triple net lease to Duty Free Caribbean who sublet the ground floor to Colombian Emeralds International on a seven year lease ending August 2016. Under this lease, future rents increase at 3% per annum with additional rent also payable in respect of any cost incurred by the developer for building upgrades. The Fund replaced air conditioning equipment during the year costing \$252,000 and as a result the rent was increased by 10% of the sum spent. The Fund received rents of \$969,420 in rental income in the year under review.

The valuers have maintained the value of the property at \$8.5 million.



Carlisle House

Location - Bridgetown, Barbados
Fair Market Value - \$11.0 million
Tenantable Space - 48,426 square feet
Property Type - Commercial
Fund Allocation - Value Fund

The property earned \$1.57 million in gross rents, (\$1.56 million - 2013) and net income from this property declined to \$0.5 million from \$0.6 million in 2013. The valuers reduced the property value by \$500,000 to \$11.0 million.

The property continued to present challenges and while occupancy increased from 72% to 78% the top floor has proven particularly difficult to rent, although there is presently some interest. In addition some ground floor retailers have been replaced with new tenants. Discussions on the sale of the building during the year yielded some offers but these were below book value and were declined.

The general increase in office vacancy in Bridgetown is reflected in this building amongst many others and there has been some pressure on rents.



Chattel Village

Location - Holetown, Barbados
Fair Market Value - \$1.27 million
Tenantable space - 8,000 square feet
Property Type - Commercial
Fund Allocation - Value Fund

The Chattel Village remains one of the Fund's most visible and attractive assets. Located in the heart of Holetown on the West Coast it is highly in demand by prospective tenants and remains fully tenanted.

The property earned gross rental income of \$529,000 (2013 - \$494,000) as the property was fully occupied during the year. This property presents well and has been successful for the Fund. During the year there were increased repairs and maintenance costs but these have yielded reductions in utility costs.

The property is leased from Sunset Crest Property Owners Inc until August 2026. The valuers substantially upgraded the property in 2012 but it is a lease hold interest and there was a downgrade of \$180,000 in the current year commensurate with the reduced remaining term of the lease.



Lower Estate Lands

Location - Lower Estate
Carrying Value - \$8.3 million (entire joint venture)
Fund Allocation - Development Fund

The Fund holds a 24% interest in these lands through The CS&C Joint Venture. This is a 13 acre site in Lower Estate subdivided into 16 commercial lots.

The lands are included in real estate available for re-sale at adjusted costs as the lots are being actively marketed for sale. The first two of the subdivided lots have been agreed for sale and contracts have been signed and are expected to be complete before the end of 2014. The purchaser intends to build quickly which should help to expose the property to the market.

The Fund accounts for this investment using equity accounting. The Fund's interest in the land at September 2014 is \$2.0 million.



Carter's Buildings, Cave Shepherd Building

Location - various

Fair Market Value - \$60.6 million (entire joint venture)

Fund Allocation - Value Fund

The Fund holds a 24% interest in The CS&C Joint Venture, a real estate partnership, which owns land and buildings at five locations in Barbados. These properties were previously owned by Carter Holdings Limited and Cave Shepherd & Co. Limited. The properties represent a diversified portfolio of prime real estate comprising land and 250,000 square feet of retail, office and warehouse space.

Four of the locations are leased to major retailers in Barbados on long term leases. The lease of the Cave Shepherd building in Broad Street was extended in 2013 by an additional four years to 2024, with a rent review provision in 2020. The joint venture also committed to investing in major capital projects including a new air conditioning system and a top floor renovation. The lease contains provisions for rent increments commensurate with the capital expenditure. The properties have maintained their values at \$60.6 million, resulting in a fair value loss of \$991,396 in the 2014 value (2013 - \$2.15 million) as a result of capital expenditure.

The Fund accounts for this investment using equity accounting. During the year ended September 2014 the Fund's proportionate share of the joint ventures net income including fair value gains amounted to \$0.91 million (2013 - \$0.6 million). The Fund's interest in the buildings is \$14,544,000.

Capital works have taken place at the Cave Shepherd building including new air conditioning systems and preliminary works for a new top floor food court. The rent has been increased by 10% of the monies spent.



Sunset Mall

Location - Sunset Crest, St. James

Fair Market Value - \$9.8 million (entire joint venture)

Property type - Commercial building

Fund Allocation - Value Fund

The Fund invested \$936,000 for 24% of the equity in a joint venture, with the CS&C partners and acquired a mall in Sunset Crest, St. James. The purchase was completed during the year 2009 and the property was rented on a 10-year lease to Duty Free Caribbean.

The building was renovated in 2012 and underwent a major repair of the roof in readiness for a solar photovoltaic project which will be utilised by the tenant.

The property has been valued at \$9.8 million (2013 - \$9.4 million) resulting in a fair value gain of \$353,900 after spending \$46,100 in relation to the final account on the capital works. These works on the roof have yielded an increase in rent of 10% of the sum spent.

The Fund accounts for this investment using equity accounting. During the year ended September 2014 the Fund's proportionate share of the joint ventures net income including fair value gains amounted to \$265,411 (2013 - \$133,485).



Apes Hill Polo Villa

Location - Waterhall, St. Thomas

Fair Market Value - \$1.32 million - furnished

Property type - Residential unit

Fund Allocation - Development Fund

During 2008 the Fund completed the purchase of a three bedroom villa overlooking the polo field at Waterhall, St. James for \$1.4 million. It has been furnished and is available for sale. The property has been leased at an increased rent to help defray costs.

The valuers maintained the value of the property of \$1.4 million. The property, including furniture, was tested for value impairment, based on a valuation carried out, and as a result the value has been reduced to the value to \$1.32 million, resulting in an impairment loss of \$184,952 (2013 - fair value loss \$200,000).



Apes Hill Land

Location - Apes Hill, St. Thomas

Fair Market Value - \$874,000

Property type - Undeveloped residential lands

Fund Allocation - Development Fund

This 20,800 square foot lot is located next to the sixth tee at the Apes Hill Golf Club. Plans have been developed for a four bedroom house and planning approval has been received from Town & Country Planning and from the Architectural Review Board of Apes Hill. The property is currently being offered for sale in accordance with the Fund's stated goal to reduce dependence on residential properties.

The valuers reduced the appraised value from \$1.05 million to \$0.95 million. Based on this valuation the real estate available for re-sale was adjusted to its net realisable value of \$874,000, resulting in an impairment loss of \$176,000 (2013 - fair value loss \$50,000).



Holder's Site

Location - St. James, Barbados

Fair Market Value - \$1.47 million

Size - 158,000 square feet

Property Type - Residential

Fund Allocation - Development Fund

This 3 ½ acre site has expansive views over Holder's Polo Field, the Sandy Lane Green Monkey golf course and the west coast. During the year the site was cleared and the tenant in the cottage was given notice in order to prepare the way for demolition.

The adjoining Holders House is also on the market. Agents conducted several tours during the year and one offer was received and agreed but the prospective purchaser was unable to complete the purchase.

The valuers reduced the value of the property from \$1.9 million to \$1.6 million. Based on this valuation the real estate available for re-sale was adjusted to its net realisable value of \$1.47 million, resulting in an impairment loss of \$428,000 (2013 - fair value loss - \$350,000).



Wotton Lands

Location - Wotton, Christ Church

Carrying Value - \$5.52 million

Property type - Undeveloped commercial lands

Fund Allocation - Development Fund

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

The valuers appraised the land at \$6 million. The asset was tested for impairment based on a valuation carried out by the independent valuers and as a result the asset has been reduced to \$5.52 million, an impairment loss of \$690,000.



Rockley Cane Garden

Location - Rockley, Barbados

Carrying Value - \$1.84 million

Property type - Undeveloped lands

Fund Allocation - Development Fund

The Worthing Great House site is earmarked as Phase II and is to be developed as a new cluster called Cane Garden. Planning permission was recently received for the construction of 26 townhouses and a Quantity Surveyor has been retained to cost the scheme. The real estate agency community will be invited to comment on market conditions before a decision is taken to proceed. The Fund may look for joint venture partners based on an assessment of the market

The Rockley Cane Garden development spent \$17,419 (2013 - \$15,032) professional fees in relation to the planned development, as well as property, administrative and other holding costs.

Real estate available for sale is carried at lower of cost or net realisable value. At year end an independent valuation was performed on the land. Based on this the Cane Gardens site value was subsequently adjusted to its net realisable value of \$1.84 million, resulting in an impairment loss of \$460,000 (2013 - \$230,000) being recognised.



Villas on the Green

Location - Cap Estate, St. Lucia
Carrying Value - \$7.7 million (buildings- \$4.7 million, lands- \$3.0 million)
Property type - Residential development
Fund Allocation - Development Fund

Several years ago the Fund acquired an 18 acre site adjacent to the third and seventh holes at the Cap Estate Golf Club in St. Lucia. A master planned community was approved for 72 homes and the Fund has developed 20 townhouses in Phase I of this plan. The 20 townhouses were completed in 2008 with eleven units sold by September 2014.

During the financial year three units were sold resulting in a small book loss of \$19,475. There are now nine units available. Of these, two have been agreed for sale but the transactions are not yet completed, six are rented and the last one is the show unit.

The development incurred \$268,707 (2013 - \$361,135) in property, maintenance & upgrade, administrative and other holding costs, net of rental income of \$202,773 (2013 - \$200,042). Together with debt service this resulted in a net loss after interest of \$322,067 (2013 - \$451,114) before impairment from the Villas on the Green development.

Real estate available for sale is carried at lower of cost or net realisable value. The valuers reduced the land value from a value of US\$1.8 million to US\$1.65 million but increased the two and three bedroom townhouse values by US\$10,000 and US\$20,000 per unit to US\$250,000 & US\$320,000 respectively. Based on these values the Villas on the Green property was subsequently adjusted to its net realisable value resulting in an impairment loss of \$114,885 (2013 - \$460,094) being recognised.

The property is carried at a value of \$4.7 million for the townhouses and \$3.0 million for the undeveloped lands.



Rockley Central Area

Location - Rockley, Barbados

Carrying Value - \$2.07 million (entire joint venture, remaining lands)

Property type - Undeveloped lands

Fund Allocation - Development Fund

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

The two and a half acres site, formerly the central facilities location, remains undeveloped and is earmarked as Phase III of the development. The re-development is in its early stages, and a date for the commencement of this phase has not yet been determined but subdivision approval has just been received.

During the year \$42,401 (2013 - \$57,510) was spent by each partner of the joint venture on maintenance, property, administrative and other holding costs. Gross rental income of \$42,977 (2013 - \$46,436) was earned to defray such costs.

Real estate available for sale is carried at lower of cost or net realisable value. The value of Rockley Central facilities was adjusted to its net realisable value of \$2.07 million, resulting in an impairment loss of \$345,000 (2013 - \$65,714) realised by each partner.

The Fund's share of net assets is \$759,158.

An offer to the public has been made by a group of golf members, for sale of shares to acquire the golf course from Dowding Estates. This seems to be progressing well and if successful it should be a stimulus for the Rockley development as a whole and the Fund's assets.



Lion Castle Lot 21

Location - St. Thomas

Fair Market Value - \$828,000

Property type - Undeveloped residential lands

Fund Allocation - Development Fund

This lot was acquired at the Lion Castle Polo Development in 2005. It overlooks the northern polo goal and sits on top of a coral stone escarpment with panoramic views of the south coast.

Plans have been developed for the lot which has planning permission. The Board has agreed to offer the property for sale.

The valuers reduced the appraised value from \$950,000 to \$900,000. Based on this valuation the real estate available for re-sale was adjusted to its net realisable value of \$828,000, resulting in an impairment loss of \$122,000 (2013 - fair value loss \$50,000).



Lime Grove Hillside Villa

Location - Lime Grove, St. James

Carrying Value - \$1.2 million

Property type - Residential unit

Fund Allocation - Development Fund

The Fund owns Limegrove Hillside Villa 6 and commenced rental of it, to defray costs, in July 2011. The unit is listed for sale with multiple real estate agents.

At year end an independent valuation was performed on the villa and the valuers reduced their appraised value from \$1.35 million to \$1.3 million. Based on this valuation the real estate available for sale was adjusted to its net realisable value of \$1.196 million, resulting in a \$46,000 impairment loss (2013 - \$103,780).



Canouan Land

Location - Canouan Island, St Vincent & the Grenadines

Carrying Value - US\$3.0 million (entire site)

Property type - Undeveloped residential lands

Fund Allocation - Development Fund

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

The investment has been classified as an investment in an associated company and is accounted for using equity accounting. The Fund's portion of the net assets is \$3.0 million.

Financial Statements

September 1, 2014

The Board of Directors
Fortress Caribbean Property Fund
Carlisle House
Bridgetown

Dear Members of the Board,

As instructed we have conducted appraisals of the properties of the Fortress Caribbean Property Fund and we have formed an opinion of their market value as at August 31, 2014. In accordance with the International Valuation Standards Council (2011), market value is defined as:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after property marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

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

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

The properties appraised were:

- BET Building
- Broad Street 24
- Carlisle House
- Chattel Village

In our opinion, the combined market value of the above listed properties at the effective date of August 31, 2014 is **\$52,770,000**.

Sincerely,

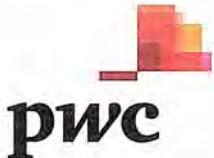


Andrew W. Mallalieu, MRICS, CPA
Managing Director

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fortress Caribbean Property Fund SCC Limited – Value Fund and Fortress Caribbean Property Fund SCC Limited – Development Fund

Report on the Financial Statements

We have audited the accompanying financial statements of **Fortress Caribbean Property Fund SCC Limited – Value Fund and its subsidiaries (the Group)** and **Fortress Caribbean Property Fund SCC Limited – Development Fund and its subsidiaries (the Group)**, each a segregated portfolio of Fortress Caribbean Property Fund SCC Limited which comprise each of their consolidated statements of financial position as at September 30, 2014 and each of their consolidated statements of changes in equity, comprehensive income and cash flows for the period from October 1, 2013 (date of conversion) to September 30, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of each of **Fortress Caribbean Property Fund SCC Limited – Value Fund** and **Fortress Caribbean Property Fund SCC Limited – Development Fund** as at September 30, 2014, and each of their financial performance and each of their cash flows for the period from October 1, 2013 (date of conversion) to September 30, 2014 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

December 12, 2014
Bridgetown, Barbados

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Financial Position

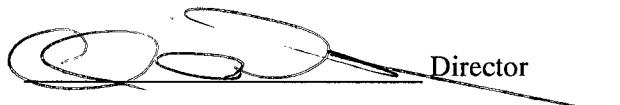
As at September 30, 2014

(expressed in Barbados dollars)

	Note	2014	Value Fund	Development Fund
		\$	\$	\$
Assets				
Investment properties	5	52,770,000	—	—
Real estate available for re-sale	6	—	21,806,288	—
Investments in associated companies and joint arrangements	8	14,999,096	4,735,962	—
Financial assets at fair value through profit or loss	9	8,000	938,294	—
Accounts receivable and prepaid expenses	11	280,919	415,219	—
Due from related parties	17	—	1,204,501	—
Cash and cash equivalents	10	<u>2,025,728</u>	<u>291,254</u>	—
Total assets		<u>70,083,743</u>	<u>29,391,518</u>	—
Liabilities				
Loans payable	13	10,362,387	393,138	—
Accounts payable and accrued expenses	12	565,854	1,224,710	—
Security and advance deposits		345,061	900,000	—
Due to related parties	17	<u>64,501</u>	—	—
Total liabilities		<u>11,337,803</u>	<u>2,517,848</u>	—
Total assets less liabilities		<u>58,745,940</u>	<u>26,873,670</u>	—
Equity				
Capital and reserves attributable to the Fund shareholders				
Share capital	18	37,209,540	28,968,603	—
Retained earnings/(deficit)		<u>7,482,967</u>	<u>(2,094,933)</u>	—
Total shareholders' funds		<u>44,692,507</u>	<u>26,873,670</u>	—
Non-controlling interests		<u>14,053,433</u>	—	—
		<u>58,745,940</u>	<u>26,873,670</u>	—
Net asset value per share	19	<u>0.80</u>	<u>0.49</u>	—

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

Approved by the Board of Directors on December 12, 2014



Director



Director

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Changes in Equity

For the year ended September 30, 2014 (from October 1, 2013, the date of conversion)

(expressed in Barbados dollars)

	Value Fund				Development Fund			
	Attributable to Fund shareholders				Attributable to Fund shareholders			
	Share capital \$	Retained earnings \$	Non-controlling interests \$	Total \$	Share capital \$	Retained earnings/(deficit) \$	Total \$	
October 1, 2013- Conversion to a segregated cell company	37,209,540	7,561,690	14,779,007	59,550,237	29,312,522	1,254,046	30,566,568	
Treasury shares (note 18)	–	–	–	–	(343,919)	203,362	(140,557)	
Dividends declared 3.5 cents per share (note 14)	–	(1,947,843)	–	(1,947,843)	–	–	–	–
Distributions to non-controlling interests	–	–	(1,849,000)	(1,849,000)	–	–	–	–
Total comprehensive income/(loss) for the year	–	1,869,120	1,123,426	2,992,546	–	(3,552,341)	(3,552,341)	
Balance - September 30, 2014	37,209,540	7,482,967	14,053,433	58,745,940	28,968,603	(2,094,933)	26,873,670	

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

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Comprehensive Income

For the year ended September 30, 2014 (from October 1, 2013, the date of conversion)

(expressed in Barbados dollars)

	Note	2014 Value Fund	Development Fund
		\$	\$
Revenue			
Net rental income	15	6,839,056	—
Fair value losses on investment property	5	(3,432,451)	—
Share of profit/(loss) of investments accounted for using the equity method		1,176,793	(28,060)
Net gain on financial assets at fair value through profit or loss	9	43,522	17,441
Interest income		8,324	65,451
Dividend income		164	—
Other income		11,936	2,676
Total investment income		4,647,344	57,508
Expenses			
Impairment loss on real estate available for re-sale	6	—	2,566,837
Interest expense		724,075	153,605
Fund management fees	17	337,247	141,649
Investment advisor fees	17	337,247	141,649
Net carrying costs of real estate available for re-sale	16	—	316,025
Professional fees		169,536	101,258
Impairment charge for receivables	11	22,201	69,657
Net loss on sale of real estate available for re-sale	16	—	69,521
Directors and subcommittee fees	17	25,757	20,238
Office and administrative expenses		38,735	29,410
Operating expenditure		1,654,798	3,609,849
Total comprehensive income/(loss) for the year		2,992,546	(3,552,341)
Attributable to:			
Cellular property fund shareholders		1,869,120	(3,552,341)
Non- controlling interests		1,123,426	—
Total comprehensive income/(loss) for the year		2,992,546	(3,552,341)
Earnings/(loss) per share - basic and diluted	19	0.03	(0.06)

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

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Cashflows

For the year ended September 30, 2014 (from October 1, 2013, the date of conversion)

(expressed in Barbados dollars)

	2014	Value Fund	Development Fund
	\$	\$	\$
Cash flows from operating activities			
Total comprehensive income/(loss) for the year	2,992,546	(3,552,341)	
Adjustments for:			
Fair value losses on investment property	3,432,451	–	
Share of (profit)/loss of investments accounted for using the equity method	(1,176,793)	28,060	
Net loss on sale of real estate available for re-sale	–	69,521	
Impairment charge for receivables	22,201	69,657	
Impairment loss on real estate available for re-sale	–	2,566,837	
Net gain on financial assets at fair value through profit or loss	(43,522)	(17,441)	
Interest income	(8,324)	(65,451)	
Interest expense	724,075	153,605	
Dividend income	(164)	–	
Operating income/(loss) before working capital changes	5,942,470	(747,553)	
Net increase in accounts receivable and prepaid expenses	(220,810)	1,757,922	
Net (decrease)/increase in accounts payable and accrued expenses	(190,338)	155,774	
Net (decrease)/increase in security and advance deposits	(30,545)	–	
Increase in due to/from related parties	64,501	(1,204,501)	
Additions to investment properties	(252,451)	–	
Net proceeds from sale of real estate available for re-sale	–	1,373,985	
Purchase of investments	(754,568)	(2,370,851)	
Proceeds on sale of investments	1,336,936	1,450,000	
Cash generated from operations	5,895,195	414,776	
Interest received	14,251	65,451	
Interest paid	(805,162)	(12,689)	
Dividends received	164	–	
Net cash generated from operating activities	5,104,448	467,538	
Cash flows from financing activities			
Distributions to non-controlling interests	(1,849,000)	–	
Repurchase of shares	–	(140,557)	
Dividends paid	(1,947,843)	–	
Loan advances received	4,453,265	–	
Repayment of loans	(4,000,000)	(1,223,609)	
Net cash used in financing activities	(3,343,578)	(1,364,166)	

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows...*continued*

For the year ended September 30, 2014 (from October 1, 2013, the date of conversion)

(expressed in Barbados dollars)

	2014	
	Value Fund	Development Fund
	\$	\$
Net increase/(decrease) in cash and cash equivalents	1,760,870	(896,628)
Cash and cash equivalents - beginning of year	264,858	1,187,882
Cash and cash equivalents - end of year	2,025,728	291,254

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

1 Incorporation and principal activities

Fortress Caribbean Property Fund Limited (the Company) was incorporated on May 7, 1999 and is registered under the Mutual Funds Act of Barbados as an authorised mutual fund. The Company is a closed end fund. It commenced operations on August 20, 1999.

On September 24th, 2013, at a special meeting of the shareholders of the Class "A" shares, the proposal to divide the Company into a segregated cell company was approved. As a result, effective October 1, 2013, the company was converted to a segregated cell company, Fortress Caribbean Property Fund Limited SCC "the Fund". The Fund is divided into two cells, Fortress Caribbean Property Fund - Value Fund "Value Fund" and Fortress Caribbean Property Fund - Development Fund "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 effect of this split is disclosed in note 22. As a result of the conversion of the Company into a new segregated cell company effective October 1, 2013 there is no comparative financial statement information.

The split of the Fund into the two cells is 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 trades independently.

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

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

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

These consolidated financial statements have been authorised for issue by the Board of Directors on December 12, 2014. The Board of Directors has the power to amend these financial statements after issue, if required.

2 Summary of significant accounting policies

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

a) Basis of preparation

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

a) Basis of preparation ...continued

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

New and amended standards adopted by the Fund

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. This amendment did not have any impact on the consolidated financial statements.
- IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 was issued in May 2011 and is applicable from January 1, 2013. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This amendment did not have any impact on the consolidated financial statements.
- IFRS 13, 'Fair value measurement' – The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. The adoption of this standard only impacts the format and extent of disclosures presented in the financial statements.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

a) Basis of preparation ...continued

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

- IFRS 11, Joint Arrangements - IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. IFRS 11 was issued in May 2011. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to net assets of the arrangements and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The impact of the adoption of this standard on the consolidated financial statements has been disclosed in note 22.
- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Fund except the following:

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation

i) Subsidiaries

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

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

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

The Fund's subsidiary holdings are set out below:

	2014
Value Fund	
BET Building Joint Venture	57%
Development Fund	
Fortress (St. Lucia) Limited	100%
JK Holdings Limited	100%

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

ii) Associates

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

The Fund's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The Fund's associate holdings are set out below:

		2014
Development Fund		
Contonou Shores Ltd		35%
Rockley Development Limited		50%

iii) Joint arrangements

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

iii) Joint arrangements...continued

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

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

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

	2014
Value Fund	
Joint ventures	
The Sunset Joint Venture	24%
The CS&C Joint Venture - account 1	24%
Development Fund	
Joint ventures	
The CS&C Joint Venture - account 2	24%
Joint operations	
Rockley Joint Venture	50%

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

c) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

d) Investments

Financial assets at fair value through profit or loss

i) Classification

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

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

ii) Recognition, derecognition and measurement

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Investments...continued

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

ii) Recognition, derecognition and measurement...continued

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

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

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

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

iii) Fair value estimation

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

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

d) Investments...continued

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

iii) Fair value estimation...continued

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

iii) Transfers between levels of the fair value hierarchy

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

e) Accounting for leases

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

f) Investment properties

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

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

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

f) Investment properties...continued

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

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

g) Real estate available for re-sale

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

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

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

h) Cash and cash equivalents

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

i) Accounts receivable

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

j) Accounts payable and accrued expenses

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

k) Share capital

The Fund's two classes of cellular shares, the Value Fund shares and the Development Fund shares are classified as equity. Proceeds from the issue of shares are recorded net of share issue costs.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies ...continued

i) Net asset value per share and earnings per share

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

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

m) Dividends payable

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

n) Revenue recognition

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

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

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

o) Taxation

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

p) Expenses

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

q) Management and advisor fees

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

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

r) Loans payable

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

s) Segment reporting

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

t) Security and advance deposits

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

3 Critical accounting estimates and assumptions

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

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

4 Financial risk management

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

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

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

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

Market risk

i) Price risk

The Fund is exposed to market price risk arising primarily from the changes in equity prices. A summary of the overall consolidated statement of financial position market exposures at September 30, 2014 is disclosed in note 9.

At September 30, 2014, 100% of financial assets at fair value through profit or loss held in the Development Fund, nil for the Value Fund, comprise of investments in other funds that have been fair valued in accordance with the policies set out in note 2d. Since the shares of the other funds are not publicly traded, redemption can only be made by the Fund on the redemption dates and subject to the

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk

i) Price risk...continued

required notice periods specified in the offering documents of each of the other funds. The rights of the Fund to request redemption of its investments in other funds may vary in frequency from daily to monthly redemptions. As a result, the carrying values of the other funds may not be indicative of the prevailing values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in funds in which the Fund has invested.

Sensitivity

The effects of a change in equity prices for each fund's financial assets at fair value through profit or loss are set out below. The analysis is based on the assumption that the equity indexes increase/decrease by 9% and the net asset value of the mutual funds held increase/decrease by 5% with all other variables held constant. These changes represents what is considered to be a reasonable movement within the specific benchmarks by management.

	Carrying value	Effective change at September 2014	Impact on income
	\$	\$	\$
September 30, 2014			
Value Fund:			
Listed on Caribbean stock exchanges and markets	8,000	9%	720
	8,000		720
Development Fund:			
Mutual funds	938,294	5%	46,915
	938,294		46,915

ii) Cash flows and fair value interest rate risk

The Fund's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Fund to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The Fund holds the majority of its long term borrowings in fixed rate instruments. The details of the Fund's long-term borrowings are included in note 13. Any excess cash and cash equivalents of the Fund are invested at short-term market interest rates. The effective yield on cash and cash equivalents is disclosed in note 10.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

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

	0 - 3 months	4 months to 1 year	Over 1 year	Non- interest bearing	Total
	\$	\$	\$	\$	\$
September 30, 2014					
Value Fund					
Financial assets					
Investments	—	—	—	8,000	8,000
Accounts receivable	—	—	—	270,292	270,292
Cash and cash equivalents	—	—	—	2,025,728	2,025,728
Total financial assets	—	—	—	2,304,020	2,304,020
Financial liabilities					
Loans payable	900,000	9,363,750	—	98,637	10,362,387
Accounts payable and accrued expenses	—	—	—	565,854	565,854
Security and advance deposits	—	—	—	345,061	345,061
Due to related parties	—	—	—	64,501	64,501
Total financial liabilities	900,000	9,363,750	—	1,074,053	11,337,803

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(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, 2014					
Development Fund					
Financial assets					
Investments	—	—	—	938,294	938,294
Accounts receivable	—	—	—	398,113	398,113
Due from related parties	900,000	240,000	—	64,501	1,204,501
Cash and cash equivalents	—	—	—	291,254	291,254
Total financial assets	900,000	240,000	—	1,692,162	2,832,162
Financial liabilities					
Loans payable	393,138	—	—	—	393,138
Accounts payable and accrued expenses	—	—	—	1,224,710	1,224,710
Security and advance deposits	—	—	900,000	—	900,000
Total financial liabilities	393,138	—	900,000	1,224,710	2,517,848

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

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on total comprehensive income.

	Effect on total comprehensive income 2014 \$
Change in interest rate:	
Development Fund	
-2%	7,863
2%	(7,863)

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management ...continued

Market risk ...continued

iii) Foreign currency risk

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

Credit risk

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

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

	Value Fund \$	Development Fund \$
September 30, 2014		
Accounts receivable	270,292	398,113
Due from related parties	–	1,204,501
Cash and cash equivalents	2,025,728	291,254
Total financial assets	2,296,020	1,893,868

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

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

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

	Value Fund \$	Development Fund \$
Cash and cash equivalents		
CIBC FirstCaribbean International Bank (not rated)	2,025,728	291,254

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk

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

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

	0 - 3 months	3 months to 1 year	1 - 5 years	No stated maturity	Total
	\$	\$	\$	\$	\$
September 30, 2014					
Value Fund					
Assets					
Financial assets at fair value through profit or loss	—	—	—	8,000	8,000
Accounts receivable	105,038	165,254	—	—	270,292
Cash and cash equivalents	2,025,728	—	—	—	2,025,728
Total financial assets	2,130,766	165,254	—	8,000	2,304,020
Liabilities					
Loans payable	974,887	9,891,938	—	—	10,866,825
Accounts payable and accrued expenses	565,854	—	—	—	565,854
Security and advance deposits	163,789	89,181	398,624	—	651,594
Due to related parties	64,501	—	—	—	64,501
Total financial liabilities	1,769,031	9,981,119	398,624	—	12,148,774

Of the \$10,866,825 disclosed in the 2014 borrowings time band of between 0 and 1 year, the Fund intends to refinance \$10,866,825 in the 2015 financial year. The final Series 1 tranche of the \$10 million bond issued by the Fund in 2009 matures in July 2015. The full \$10 million bond is expected to be refinanced in July 2015 using the same structure and it is intended that Carlisle House and No. 24 Broad Street will again be used as the collateral for that bond. The total debts of the Value Fund are only 15% of the total assets in the Fund. The Value Fund is authorized to borrow up to 40 % of the total assets and the Manager expects to refinance the bond for similar maturity terms and at more favorable interest rates than the original bond.

The Fund manages its liquidity risk through receipt of committed lease income where the Fund is the lessor. Details of the future operating lease income are disclosed in note 20.

Fortress Caribbean Property Fund Limited SCC

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4 Financial risk management...continued

Liquidity risk...continued

	0 - 3 months	3 months to 1 year	1 - 5 years	No stated maturity	Total
	\$	\$	\$	\$	\$
September 30, 2014					
Development Fund					
Assets					
Financial assets at fair value through profit or loss	—	—	—	938,294	938,294
Accounts receivable	328,760	86,459	—	—	415,219
Due from related parties	964,501	240,000	—	—	1,204,501
Cash and cash equivalents	291,254	—	—	—	291,254
Total financial assets	1,584,515	326,459	—	938,294	2,849,268
Liabilities					
Loans payable	402,966	—	—	—	402,966
Accounts payable and accrued expenses	840,342	384,368	—	—	1,224,710
Security and advance deposits	—	—	1,080,000	—	1,080,000
Total financial liabilities	1,243,308	384,368	1,080,000	—	2,707,676

Fair value estimation

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Fortress Caribbean Property Fund Limited SCC

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4 Financial risk management...continued

Fair value estimation ...continued

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

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

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

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2014				
Financial assets at fair value through profit or loss				
Value Fund				
Listed equity securities	—	8,000	—	8,000
Development Fund				
Mutual funds	—	938,294	—	938,294

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

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include unlisted mutual funds. As level 2 investments include positions that are not traded

Fortress Caribbean Property Fund Limited SCC

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4 Financial risk management...continued

Fair value estimation ...continued

in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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

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

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2014 but for which fair value is disclosed.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2014				
Value Fund				
Assets				
Accounts receivable and prepaid expenses	–	280,919	–	280,919
Cash and cash equivalents	<u>2,025,728</u>	–	–	2,025,728
Total	2,025,728	280,919	–	2,306,647
Liabilities				
Loans payable	–	10,362,387	–	10,362,387
Accounts payable and accrued expenses	–	565,854	–	565,854
Security and advance deposits	–	345,061	–	345,061
Due to related parties	–	64,501	–	64,501
Total	–	11,337,803	–	11,337,803

Fortress Caribbean Property Fund Limited SCC

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4 Financial risk management...continued

Fair value estimation ...continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
September 30, 2014				
Development Fund				
Assets				
Accounts receivable and prepaid expenses	—	415,219	—	415,219
Due from related parties	—	1,204,501	—	1,204,501
Cash and cash equivalents	<u>291,254</u>	<u>—</u>	<u>—</u>	<u>291,254</u>
Total	<u>291,254</u>	<u>1,619,720</u>	<u>—</u>	<u>1,910,974</u>
Liabilities				
Loans payable	—	393,138	—	393,138
Accounts payable and accrued expenses	—	1,224,710	—	1,224,710
Security and advance deposits	<u>—</u>	<u>900,000</u>	<u>—</u>	<u>900,000</u>
Total	<u>—</u>	<u>2,517,848</u>	<u>—</u>	<u>2,517,848</u>

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rates and are within level 2 of the fair value hierarchy.

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

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

Capital risk management

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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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, 2014. The fair value gains/losses recognised has been recorded in the consolidated statement of comprehensive income.

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

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

	Fair value hierarchy/ level	Fair value at segregation	Additions/ (Disposals)	Fair value losses	Fair value c/fwd
Value Fund					
The CWBET Building	3	34,500,000	–	(2,500,000)	32,000,000
Carlisle House	3	11,500,000	–	(500,000)	11,000,000
No. 24 Broad Street	3	8,500,000	252,451	(252,451)	8,500,000
The Chattel Village	3	1,450,000	–	(180,000)	1,270,000
		55,950,000	252,451	(3,432,451)	52,770,000

During the year the investment properties were appraised by an independent valuer at \$52,770,000. The decrease of this current valuation over the previous valuation amounting to \$3,432,451 has been recorded as fair value losses in the consolidated statement of comprehensive income.

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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5 Investment properties...continued

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	
The CWBET Building	\$32,000,000	Discounted cash flows	59%	12%	
Carlisle House	\$11,000,000	Discounted cash flows	59%	10.5%	
No. 24 Broad Street	\$8,500,000	Discounted cash flows	95%	9.5%	
The Chattel Village	\$1,270,000	Discounted cash flows	30%	—	

Valuation processes

The Fund's investment properties are valued at August 31, 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations

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Notes to the Consolidated Financial Statements

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5 Investment properties...continued

and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Fund's investment and property managers 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 twice a year, in line with the Fund'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;
- holds discussions with the independent valuer.

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

6 Real estate available for re-sale

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

	Value at segregation \$	Additions/ (Disposals) \$	Impairment gains/(losses) \$	Value c/fwd \$
Development Fund				
Developed properties:				
Villas on the Green villas	5,975,079	(1,443,503)	160,253	4,691,829
Lime Grove Hillside Villa	1,242,000	–	(46,000)	1,196,000
Apes Hill Polo Villa	1,507,899	–	(184,952)	1,322,947
Holders Cottage	1,900,000	–	(428,000)	1,472,000
Land and properties under development:				
Wotton lands	6,210,000	–	(690,000)	5,520,000
Rockley- Cane Gardens lands	2,300,000	–	(460,000)	1,840,000
Rockley- Central area lands	1,380,000	–	(345,000)	1,035,000
Villas on the Green lands	3,301,650	–	(275,138)	3,026,512
Apes Hill land	1,050,000	–	(176,000)	874,000
Lion Castle land	950,000	–	(122,000)	828,000
	25,816,628	(1,443,503)	(2,566,837)	21,806,288

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

Real estate available for re-sale is carried at lower of cost or net realisable value. During the year impairment tests on the carrying value of the real estate available for re-sale were performed. Based on these tests the real estate available for re-sale were subsequently adjusted to their net realisable values resulting in impairment losses of \$2,566,837 being recognised.

Valuations performed by professional valuers are utilised in the process of determining the net realisable value of the real estate available for re-sale. Due to the nature of the valuation process, valuations may differ between professional valuers. The effect on net income of an across the board 10% depreciation in the net realisable value of the Fund's real estate available for re-sale would amount to \$2,180,629.

7 Investment in subsidiaries

The Fund has the following subsidiaries at September 30, 2014:

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

The Value Fund owns a 57% interest in The BET Building Joint Venture which was registered in Barbados on October 12, 2001. The joint venture owns The CWBET Building in Wildey which has been included in investment properties (note 5). The total non-controlling interest for the period is \$14,053,433, which is for the BET Joint Venture.

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

The Development Fund owns a 100% interest in JK Holdings Limited, a company incorporated in Barbados. This company owns the Holders Cottage 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.

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Notes to the Consolidated Financial Statements

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7 Investment in subsidiaries...continued

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised statement of financial position:

	The BET Building Joint Venture 2014 \$
Current	
Assets	771,687
Liabilities	<u>(89,283)</u>
Total current net assets	<u>682,404</u>
Non-current	
Assets	32,000,000
Liabilities	<u>—</u>
Total non-current assets	<u>32,000,000</u>
Net assets	<u>32,682,404</u>

The BET Joint Venture previously held a loan with RBTT Merchant Bank secured by a first mortgage over the CWBET building at Wildey, St Michael. The loan has been repaid and the security will be released in due course.

Summarised statement of comprehensive income:

	The BET Building Joint Venture 2014 \$
Revenue	2,729,516
Expenses	<u>(116,896)</u>
Total comprehensive income for the year	<u>2,612,620</u>
Total comprehensive income allocated to non-controlling interests	1,123,426
Distributions paid to non-controlling interests	1,849,000

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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7 Investment in subsidiaries...continued

Summarised cash flows:

	The BET Building Joint Venture 2014	\$
Cash flows from operating activities:		
Cash generated from operating activities	5,081,238	
Net cash used in financing activities	<u>(4,300,000)</u>	
Net increase in cash and cash equivalents	<u>781,238</u>	
 Cash and cash equivalents - beginning of year	 <u>(10,261)</u>	
 Cash and cash equivalents - end of year	 <u>770,977</u>	

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

8 Investments in associated companies and joint arrangements

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

September 30, 2014	Value Fund	Development Fund
	\$	\$
Associates	—	2,999,625
Joint ventures	<u>14,999,096</u>	<u>1,736,337</u>
	<u>14,999,096</u>	<u>4,735,962</u>

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

Associates	—	—
Joint ventures	<u>1,176,793</u>	<u>(28,060)</u>
	<u>1,176,793</u>	<u>(28,060)</u>

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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

i) Investment in associates

Set out below are the associates of the group as at September 30, 2014, which, in the opinion of the directors, are material to the group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Fund.

The nature of investment in associates:

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

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

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

Contonou Shores Ltd and Rockley Development Limited are private companies and there is no quoted market price available for the shares.

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

ii) Investment in joint ventures

	2014 \$
Value Fund	
At October 1	13,822,303
Share of profit	<u>1,176,793</u>
At September 30	<u>14,999,096</u>
Development Fund	
At October 1	1,764,397
Share of profit	<u>(28,060)</u>
At September 30	<u>1,736,337</u>

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

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

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

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

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

Summarised financial information for joint ventures

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

Summarised statement of financial position:

	The Sunset Joint Venture	The CS&C Joint Venture
	\$	\$
September 30, 2014		
Assets		
Investment properties	9,800,000	60,600,000
Real estate available for re-sale	–	8,334,882
Investments	–	374,803
Accounts receivable and prepaid expenses	3,000	147,127
Cash and cash equivalents	786,227	3,416,803
Total assets	10,589,227	72,873,615
Liabilities		
Loans payable	3,063,695	9,869,054
Accounts payable and accrued expenses	176,450	622,673
Total liabilities	3,240,145	10,491,727
Total assets less liabilities	7,349,082	62,381,888

The loans payable in the CS&C Joint Venture are due to RBTT Merchant Bank Limited and are 10 years and 12 years non callable mortgage bonds secured by a first mortgage over the properties acquired, stamped to cover \$34,500,000.

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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

ii) Investment in joint ventures...continued

Summarised statement of comprehensive income:

	The Sunset Joint Venture \$	The CS&C Joint Venture \$
September 30, 2014		
Revenue		
Net rental income	976,467	5,536,729
Fair value gains/(losses) on investment property	353,900	(991,396)
Net gain on financial assets at fair value through profit or loss	–	12,038
Other income	4,426	17,705
Total investment income	1,334,793	4,575,076
Expenses		
Interest expense	213,334	711,328
Net carrying costs of real estate available for re-sale	–	116,919
Professional fees	15,580	30,000
Other operating expenses	–	36,322
Operating expenditure	228,914	894,569
Total comprehensive income for the year	1,105,879	3,680,507

Reconciliation of summarised financial information

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

	The Sunset Joint Venture \$	The CS&C Joint Venture \$
Summarised financial information		
Opening net assets October 1, 2013	6,243,203	58,701,381
Profit for the year	1,105,879	3,680,507
Closing net assets September 30, 2014	7,349,082	62,381,888
Interest in joint venture	24%	24%
Carrying value	1,763,780	14,971,653

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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

iii) Investment in joint operations

Nature of investment in joint operations 2014.

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.

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

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

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

	Assets \$	Liabilities \$	Revenues \$	Profit/(Loss) \$	%Interest held
September 30, 2014	1,064,920	305,762	30,775	(394,200)	50%

9 Financial assets at fair value through profit or loss

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

	2014	
	Cost \$	Market value \$
Value Fund Listed on Caribbean stock exchanges and markets	2,006	8,000
Total financial assets at fair value through profit or loss	2,006	8,000
 Development Fund Caribbean mutual funds	925,233	938,294
Total financial assets at fair value through profit or loss	925,233	938,294

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

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

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

	Value Fund	Development Fund
	\$	\$
September 30, 2014		
Realised gain	—	4,382
Unrealised gain	43,522	13,059
Net gain on financial assets at fair value through profit or loss	43,522	17,441

10 Cash and cash equivalents

	Value Fund	Development Fund
	\$	\$
Cash at bank	2,025,728	291,254
Cash and cash equivalents	2,025,728	291,254

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

11 Accounts receivable and prepaid expenses

	Value Fund	Development Fund
	\$	\$
Rent receivable from tenants	265,732	—
Other receivables	167,761	467,771
Less: provision for impairment of receivables	(163,201)	(69,657)
Prepaid expenses	270,292	398,114
	10,627	17,105
Accounts receivables, net of provision for impairment	280,919	415,219

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, 2014, within the Value Fund accounts receivables of \$41,764 were past due but not impaired and accounts receivable of \$173,227 were past due and impaired. The individually impaired receivables are over three months past due and mainly relate to certain tenants of commercial buildings. A provision is recognised for amounts not expected to

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

11 Accounts receivable and prepaid expenses...continued

be recovered. The Value Fund has recognised a loss of \$22,201 relating to the impairment of its receivables and the total provision amounted to \$163,201.

As of September 30, 2014, within the Development Fund accounts receivables of \$156,119 were past due but not impaired and accounts receivable of \$69,657 were past due and impaired. A provision is recognised for amounts not expected to be recovered. The Development Fund has recognised a loss of \$69,657 relating to the impairment of its receivables and the total provision amounted to \$69,657.

12 Accounts payable and accrued expenses

	Value Fund	Development Fund
	\$	\$
Accounts payable	425,250	1,182,687
Accrued expenses	140,604	42,023
	<hr/>	<hr/>
	565,854	1,224,710

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.

13 Loans payable

	Value Fund	Development Fund
	\$	\$
Bond payable		
Series 1 – 2015	3,035,000	–
Fortress Caribbean High Interest Fund	6,427,387	–
Fortress Caribbean Property Fund Limited SCC -		
Development Fund	900,000	–
Fortress Mutual Fund Limited		
Fortress (St. Lucia) Limited	–	393,138
	<hr/>	<hr/>
	10,362,387	393,138

The current portion due of loans payable amounts to \$10,362,387 for the Value Fund and \$393,138 for the Development Fund.

The Value Fund has outstanding a bond payable issued in three series. Series 1 carries an interest rate of 7% maturing July 31, 2015. Series 2 and Series 3 were repaid. Interest is payable semi-annually in arrears and

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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(expressed in Barbados dollars)

13 Loans payable...continued

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 Value Fund loans due to Fortress Caribbean High Interest Fund bear interest at a rate of 6% per annum are unsecured short term loans and repayable on July 31, 2015.

The Value Fund loans due to the Development Fund bear interest at a rate of 5% per annum. These are unsecured short term loans and have been rolled to September 30, 2015.

The Development Fund loan due to Fortress Mutual Fund Limited relating to Fortress (St. Lucia) Limited bears interest at year end at a rate of 2.98% per annum. The loan is repayable from net sales proceeds on the sale of town houses. Interest is payable quarterly at US 3-month LIBOR plus 2.75%.

14 Dividends per share

A dividend of \$0.035 per share was declared during the financial year and paid on December 31, 2013 for the Value Fund. This amounted to a dividend totaling \$1,947,843.

There were no dividends paid for the Development Fund.

15 Net rental income

Rental income earned in the Value Fund is shown net of direct property expenses of \$1,534,536 incurred in managing the properties.

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

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

The Villas on The Green development incurred net carrying costs of \$268,707 which comprise of property, administrative and other holding costs and is shown net of \$202,773 of rental income. During the year three units were sold for net proceeds of \$1,423,761, generating a loss of \$19,475.

The carrying costs also include \$47,318 in professional fees and property administration from other available for re-sale properties.

17 Related party transactions

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

During the year, fund management fees were paid to Fortress Fund Managers Limited amounting to \$337,247 and \$141,649 by the Value Fund and the Development Fund respectively.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

17 Related party transactions...continued

During the year, investment advisor fees were paid to Altman Real Estate amounting to \$337,247 and \$141,649 by the Value Fund and the Development Fund, respectively.

Management fees of \$2,676 were refunded by Fortress Fund Managers Limited to the Development Fund being 0.375% of the net asset values of Fortress Caribbean High Interest Fund shares held by the Fund during the year. This is to avoid double charging of management fees on assets invested in related Funds which have the same Manager. This figure is included in other income.

Included in the loans payable of the Value Fund is \$6,427,387 due to Fortress Caribbean High Interest Fund which bears interest at a rate of 6% per annum. This is an unsecured short term loan, repayable on July 31, 2015. Interest expense of \$219,075 relating to this loan was recognised in the consolidated statement of comprehensive income.

Included in the loans payable of the Value Fund is \$900,000 due to the Development Fund which bears interest at a rate of 5% per annum. This amount is included in the amount due from related parties in the Development Fund. This is an unsecured short term loan, repayable on September 30, 2015. Interest expense of \$45,000 relating to this loan was recognised in the consolidated statement of comprehensive income.

The amount due to related parties in the Value Fund are due to the Development Fund. This amount is interest free and is repayable on demand.

Included in net rental income of the Value Fund is an amount of \$1,088,588 earned from an affiliated company.

Included in the accounts payable of the Value Fund is \$5,579 due to Fortress Fund Managers Limited.

During the year, commissions of \$10,106 were charged on property rentals and paid to Altman Real Estate and its subsidiaries by the Value Fund.

Loans payable of the Development Fund of \$393,138 is due to Fortress Mutual Fund Limited with respect to Fortress (St. Lucia) Limited. Interest expense of \$33,614 relating to this loan was recognised in the consolidated statement of comprehensive income.

Included in due from related parties of the Development Fund is \$240,000 from the CS&C Joint Venture. The loan bears interest at a rate prime less 2%. At September 30, 2014 interest rate on the loan was 6.05%. The loan is repayable from the net sales proceeds on the sale of the lands at Lower Estate. Interest income of \$14,520 relating to this loan was recognised in the consolidated statement of comprehensive income.

Included in accounts receivable of the Development Fund is \$175,000 due to an affiliated company.

Included in the accounts payable is \$9,479 and \$691 due to Altman Real Estate and its subsidiaries by the Value Fund and the Development Fund respectively.

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

17 Related party transactions...continued

Directors and subcommittee fees of \$25,757 and \$20,238 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:

	Value Fund	Development Fund
Geoffrey Cave		
Number of shares held at September 30, 2014	32,000	32,000
Paul Altman		
Number of shares held at September 30, 2014	659,920	659,920
Anthony Audain		
Number of shares held at September 30, 2014	26,000	26,000
Sir Trevor Carmichael		
Number of shares held at September 30, 2014	26,333	26,333
Maureen Davis		
Number of shares held at September 30, 2014	21,506	21,506
Terry Hanton		
Number of shares held at September 30, 2014	7,200	7,200
John Williams		
Number of shares held at September 30, 2014	17,000	17,000

Related party interests in participating redeemable mutual fund shares are as follows:

	Number of shares	
	Value Fund	Development Fund
Fortress Caribbean Pension Fund Limited	3,948,677	3,350,277
Fortress Mutual Fund Limited	1,964,171	1,964,171
Fortress Caribbean High Interest Limited	532,775	-

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

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18 Share capital

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

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

During the year the Development Fund repurchased 652,965 fund shares for a total consideration of \$140,557.

	2014	
	Number of shares	\$
Value Fund Shares		
Authorised		
An unlimited number of cellular		
shares of no par value		
Issued and outstanding	55,652,768	37,209,540
Development Fund Shares		
Authorised		
An unlimited number of cellular		
shares of no par value		
Issued	55,652,768	29,312,522
Less treasury shares	(652,965)	(343,919)
Issued and outstanding	54,999,803	28,968,603

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

18 Share capital...continued

The Fund is authorised to issue 100 common shares and an unlimited number of cellular shares divided into the Value Fund and the Development Fund cells. At September 30, 2014, 10 common shares at a total consideration of \$10 were issued and outstanding. The common shares are held equally by the Investment Advisor and the Fund Manager and no common share can be transferred to any person other than another investment advisor or fund manager. The holders of the common shares have the voting rights. Each common share entitles the holder to one vote per share. The holders of the common shares are not entitled to receive dividends.

The Value Fund shares

The holders of Value Fund shares have an interest in the undivided portion of assets of the related segregated cell. These shares secure an equal share in distribution of net income and net capital gains and participate equally in all other respects.

Value Fund shares may not be redeemed by the shareholders, but may be traded on the Barbados Stock Exchange or any other stock exchange as the Directors may determine.

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

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

The Development Fund shares

The holders of the Development Fund shares have an interest in the undivided portion of assets of the related segregated cell. These shares secure an equal share in distribution of net income and net capital gains and participate equally in all other respects.

Development Fund shares may not be redeemed by the shareholders, but may be traded on the Barbados Stock Exchange or any other stock exchange as the Directors may determine.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

18 Share capital...continued

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

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

19 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 \$
Comprehensive income/(loss) attributable to shareholders	1,869,120	(3,552,341)
Weighted average number of Class “A” shares in issue	55,652,768	54,999,803
Basic and diluted earnings per share	0.03	(0.06)
Net asset value	44,692,507	26,873,670
Net asset value per share	0.80	0.49

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

20 Commitments

Operating lease commitments - where the Value Fund is the lessee

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

	Value Fund
	\$
Not later than 1 year	131,250
Later than 1 year and not later than 5 years	574,035
Later than 5 years	1,113,466

Operating lease commitments - where the Value Fund is the lessor

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

	Value Fund
	\$
Not later than 1 year	7,903,119
Later than 1 year and not later than 5 years	8,245,791
Later than 5 years	—

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

	Value Fund
	\$
Not later than 1 year	1,390,940
Later than 1 year and not later than 5 years	1,025,507
Later than 5 years	—

21 Contingencies

LIME Barbados has indicated a phased withdrawal and early termination of the triple net lease of the Wildey property owned by the BET Joint Venture which expires in 2016. There is no provision in the lease contract for early termination and the terms under which such termination can occur have not been agreed. The BET Joint Venture will be acting under careful guidance from legal counsel on this matter. Every effort will be made to ensure shareholders' rights and interests are protected.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

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22 Conversion to a segregated cell company and the adoption of IFRS 11, Joint Arrangements

On September 24th, 2013, at a special meeting of the shareholders of the Class “A” shares, the proposal to divide the Company into a segregated cell company was approved. As a result, effective October 1, 2013, the Company was converted in a segregated cell company namely Fortress Caribbean Property Fund Limited SCC (the Fund). The table below shows the partitioning of the Fund’s assets and liabilities as at October 1, 2013 into the two segregated cells:

	Value Fund \$	Development Fund \$	Total \$
Assets			
Investment properties	72,750,000	5,407,899	78,157,899
Real estate available for re-sale	–	22,409,101	22,409,101
Investment in associated company	–	2,999,625	2,999,625
Investments	633,910	–	633,910
Other assets	411,107	1,870,610	2,281,717
Cash and cash equivalents	1,289,111	1,187,882	2,476,993
Total assets	75,084,128	33,875,117	108,959,245
Liabilities			
Loans payable	14,299,000	1,616,747	15,915,747
Accounts payable and accrued expenses	859,285	791,802	1,651,087
Security and advance deposits	375,606	900,000	1,275,606
Total liabilities	15,533,891	3,308,549	18,842,440
Total assets less liabilities	59,550,237	30,566,568	90,116,805
Equity			
Total shareholders’ funds	44,771,230	30,566,568	75,337,798
Non - controlling interests	14,779,007	–	14,779,007
Net asset value per share	0.80	0.55	1.35
Number of shares in issue	55,652,768	55,652,768	111,305,536

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

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22 Conversion to a segregated cell company and the adoption of IFRS 11, Joint Arrangements*continued*

On October 1, 2013, the Fund adopted IFRS 11, Joint Arrangements. Under this standard proportionate consolidation of joint ventures is no longer allowed. As result joint venture that were previously proportionately consolidated are now accounted for using the equity method. The effect of the adoption of this standard is shown below:

	Pre adoption of IFRS 11	Value Fund Adjustments	Post adoption of IFRS 11
	\$	\$	\$
Assets			
Investment properties	72,750,000	(16,800,000)	55,950,000
Investment in associated company	–	13,822,303	13,822,303
Investments	633,910	(87,064)	546,846
Other assets	411,107	(322,870)	88,237
Cash and cash equivalents	<u>1,289,111</u>	<u>(1,024,253)</u>	<u>264,858</u>
Total assets	<u>75,084,128</u>	<u>(4,411,884)</u>	<u>70,672,244</u>
Liabilities			
Loans payable	14,299,000	(4,308,791)	9,990,209
Accounts payable and accrued expenses	859,285	(103,093)	756,192
Security and advance deposits	<u>375,606</u>	<u>–</u>	<u>375,606</u>
Total liabilities	<u>15,533,891</u>	<u>(4,411,884)</u>	<u>11,122,007</u>
Total assets less liabilities	<u>59,550,237</u>	<u>–</u>	<u>59,550,237</u>
Equity			
Total shareholders' funds	<u>44,771,230</u>	<u>–</u>	<u>44,771,230</u>
Non - controlling interests	<u>14,779,007</u>	<u>–</u>	<u>14,779,007</u>
Net asset value per share	<u>0.80</u>	<u>–</u>	<u>0.80</u>
Number of shares in issue	<u>55,652,768</u>	<u>–</u>	<u>55,652,768</u>

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2014

(expressed in Barbados dollars)

22 Conversion to a segregated cell company and the adoption of IFRS 11, Joint Arrangements*continued*

	Pre adoption of IFRS 11	Development Fund Adjustments	Post adoption of IFRS 11
	\$	\$	\$
Assets			
Investment properties	5,407,899	(5,407,899)	–
Real estate available for re-sale	22,409,101	3,407,527	25,816,628
Investment in associated company	2,999,625	1,764,397	4,764,022
Other assets	1,870,610	372,189	2,242,799
Cash and cash equivalents	<u>1,187,882</u>	–	<u>1,187,882</u>
Total assets	<u>33,875,117</u>	<u>136,214</u>	<u>34,011,331</u>
Liabilities			
Loans payable	1,616,747	–	1,616,747
Accounts payable and accrued expenses	791,802	136,214	928,016
Security and advance deposits	<u>900,000</u>	–	<u>900,000</u>
Total liabilities	<u>3,308,549</u>	<u>136,214</u>	<u>3,444,763</u>
Total assets less liabilities	<u>30,566,568</u>	<u>–</u>	<u>30,566,568</u>
Equity			
Total shareholders' funds	<u>30,566,568</u>	<u>–</u>	<u>30,566,568</u>
Non - controlling interests	<u>–</u>	<u>–</u>	<u>–</u>
30,566,568	<u>–</u>	<u>–</u>	<u>30,566,568</u>
Net asset value per share	<u>0.55</u>	<u>–</u>	<u>0.55</u>
Number of shares in issue	<u>55,652,768</u>	<u>–</u>	<u>55,652,768</u>

23 Subsequent events

Subsequent to year end the Development Fund invested \$175,000 to purchase a 35% interest in a company called Canouan CS&F Investments Limited. The purpose of this company is to own lands in Canouan.

A dividend of \$0.035 per share was declared subsequent to the financial year and is payable on December 31, 2014 for the Value Fund. This amounts to a dividend totaling \$1,947,843.



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