

ANNUAL REPORT 2016

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.

Fortress Fund Managers Limited
First Floor, Carlisle House
Hincks Street
Bridgetown
Barbados
BB11144
TEL (246) 431 2198
FAX (246) 431 0514
invest@fortressfund.com
www.fortressfund.com



Fortress Caribbean Property
Fund Limited SCC

Investment Objectives & Fund Details

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

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

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

| | | |
|--|---|-------------------------|
| FUND NAME: | Fortress Caribbean Property Fund Limited SCC | |
| FUND TYPE: | Closed-End Fund | |
| LAUNCH DATE: | August 20, 1999 | |
| LAUNCH PRICE: | \$1.00 per share | |
| <i>Warrants Exercise Price:</i> | \$1.00 per share | |
| <i>Secondary Offer Price:</i> | | |
| <i>10/15/2001</i> | \$1.20 per share | |
| <i>Rights Issue Price:</i> | | |
| <i>03/10/2005</i> | \$1.40 per share | |
| POST SEGREGATION NO. OF SHARES OUTSTANDING: | VALUE FUND | DEVELOPMENT FUND |
| <i>9/30/2016</i> | 55,652,768 | 54,549,676 |
| NET ASSETS: | | |
| <i>9/30/2016</i> | \$42,821,292 | \$24,037,947 |
| NET ASSETS VALUE PER SHARE: | | |
| <i>9/30/2016</i> | \$0.77 | \$0.44 |
| SHARE PRICE: | | |
| <i>9/30/2016</i> | \$0.55 | \$0.20 |
| STOCK EXCHANGE LISTINGS: | Barbados Stock Exchange (BSE) Trinidad & Tobago Stock Exchange (TTSE) | |
| 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

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

BANKER

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

ATTORNEY AT LAW

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

INDEPENDENT AUDITORS

Ernst & Young
One Welches
Welches
St. Thomas
Barbados

INVESTMENT ADVISOR & PROPERTY MANAGER

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

FUND MANAGER

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

Tel: (246) 431 2198
Fax: (246) 431 0514
Internet: www.fortressfund.com
Email: invest@fortressfund.com

COMPANY SECRETARY

Hanna M. Chrysostom
Broad Street
Bridgetown
St. Michael
Barbados

INDEPENDENT VALUER

Terra Caribbean
Sommerley
Worthing
Christ Church
Barbados

INVESTMENT COMMITTEE

John Williams
H.C. Algernon Leacock
Roger Cave

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

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



Directors' Report

Directors' Report



Chairman, Sir Geoffrey Cave

The Fortress Caribbean Property Fund Limited SCC had another challenging but very productive year in 2016. While the Value Fund recorded a profit attributed to the shareholders of \$769,873 the Development Fund recorded a loss of \$1.195 million.

The Net Asset Value (NAV) of the Value Fund was down from \$43.7 million to \$42.8 million (\$0.77 per share) after paying a dividend of \$0.03 per share in December 2015 which equates to a return of just under 1% for the year. The NAV for the Development Fund declined from \$25.2 million to \$24.04 million (\$0.44 per share) resulting in a -4.3% return.

The combined NAV is now \$1.21 per share. As was expected, the Value Fund produced a smaller positive return than in 2015 and while the Development Fund had another decline in its NAV, it was significantly less than in 2015.

Value Fund

The Value Fund recorded fair value losses of \$8.8 million during the year, up from \$7.4 million in 2015. On November 29th, the directors of the joint venture concluded an agreement for the sale of the BET property. The property recorded a 33% decline in its appraised value, amounting to a fair value loss of \$8.2 million,

which significantly impacted the Fund. This decline was partially offset by a lease surrender fee of \$5.925 million resulting in an overall net decline on the previous year's carrying value of \$2.275 million before selling costs. The Fund absorbed 57% of these amounts, in line with its shareholding in the BET joint venture, and this was by far the largest factor in the Fund's performance this year.

The other major transaction which has positively impacted the Value Fund, is the sale of the Carter's properties by the CS&C Joint Venture. The Fund holds a 24% interest in this joint venture. The sale of the properties occurred subsequent to the year-end and while the agreement has been signed and the deposit paid, the transaction has not yet closed. The offer was received before the end of the financial year so the Carter's properties were carried at this amount in the financial statements which has resulted in a share of profit for the Value Fund of \$3.079 million and will result in additional cash to the Value Fund of \$5 million when the transaction closes early in 2017.

These two transactions mean the Value Fund will have surplus cash of approximately \$15 million for reinvestment which affords the Fund significant flexibility going forward.



BET Property

BET Property

The sale of the BET property to Era Educational Services DMCC is a positive development for the Value Fund. It was the Fund's largest investment and the property had become vacant at the end of 2015 when Flow vacated the premises. This property was purpose built for Flow (previously Cable & Wireless) nearly 40 years ago. The property has been vacant and non-income producing for over a year. The design and cost estimates done by leading professional firms for the redevelopment of the property for a modern multi-tenant office complex were substantial and offered limited prospective returns even when fully tenanted. The current oversupply of commercial office space in the local market meant that the redevelopment option for BET was extremely risky with weak prospective returns. We were fortunate the purchasers found the site ideal for their unique purposes and that we were able to conclude a transaction at \$16.5 million. This amount is significantly less than the most recent valuation which had been based on the assumption of a long-term lease contract. The sale price when combined with the lease surrender fee of \$5.925 million results in a loss of \$2.3 million (i.e. approximately 9%) before selling costs. In the current market conditions, this is not unreasonable for an old property in need of

significant work. The sale includes a vendor's mortgage for \$6.5 million which will be repaid in two years' time.

The markdowns on exit mask the fact that from a shareholder return perspective, including the loss on sale, debt service and all costs, shareholders have enjoyed a phenomenal investment which has produced a 15.5% compound annual rate of return for 15 years. It is unlikely that the Value Fund will ever see another investment as good as BET.

CS&C Joint Venture

The CS&C Joint Venture, which owns the Carter's properties and the Cave Shepherd Broad Street building, has been another excellent investment for the Fund. The joint venture's net book value has grown at an annual compound rate of return of 12.24 % over the last 10 years. The Value Fund owns 24% of this joint venture. A few months ago, we received an offer from Carter's to buy back their properties from the joint venture. While it was not our first choice to lose attractive income producing properties with a solid tenant, the price, the lease terms, property locations and the overall business environment proved to be attractive to realise value from this investment and the joint venture partners unanimously agreed to sell.



Cave Shepherd Food Lounge, Broad Street

The upgrading of the Cave Shepherd Broad Street building has been largely completed in 2016 and the joint venture now has an asset which is one of the most modern and high traffic retail sites in Bridgetown. The terms of the upgrade involved both rental increases on the new investment and lease extensions for the landlord which serves the interests of both parties for a solid long-term investment.

Fund Leverage

The percentage of the Value Fund's assets which are being funded by debt is very low by global property fund standards at 16%. The opportunity now exists, with record low interest rates, to both increase the existing bond to the \$15 million limit but also to re-leverage some of the Fund's or joint ventures' larger properties which are either debt free or have very low balances remaining on previous loan balances. The high cash balances from the recent sales plus the ability to borrow significant sums at very attractive rates now puts the Value Fund in a strong position to both diversify and grow its property portfolio in the coming months. The Fund has several large, attractive opportunities in Barbados which are currently under active consideration and if one or two of these become a reality, the return prospects for the Value Fund going forward would be quite attractive.

Dividends

The Directors have declared a dividend of \$0.035 per share on the Value Fund share for the year ended September 30th 2016. The dividend equates to a 6.4% yield based on the trading price of the Value Fund shares of \$0.55 per share as at November 30th 2016.

Trading of Shares

The Value Fund shares last traded at \$0.55 per share on the Barbados Stock Exchange which represents a 29% discount to the Fund's Net Asset Value. While we had hoped the discount would have narrowed more given the attractive dividend yield, the uncertainties surrounding the future of the BET building may have made investors cautious. With the sale of the BET property behind us, we expect this discount to narrow as the Fund's assets are now a combination of solid income producing assets or cash which can be reinvested in productive assets or repaid to shareholders.

Development Fund

| | 2014 | 2015 | 2016 |
|-----------------------|---------|---------|---------|
| Decline in Fund's NAV | \$3.6 m | \$1.5 m | \$1.1 m |

The Development Fund had another disappointing year in 2016 although the decline in the Fund's NAV is less than it was in 2015. The Fund recorded impairment losses of \$481,444, down from \$720,987 in 2015, but still a significant drag on performance. The table above shows the declines in the Fund's NAV since the Fund was split in 2013. It is clear the costs associated with holding these assets are significant and with the real estate market still very weak, impairment losses are impacting the carrying value of the properties. Realising value from these assets is proving to be even more difficult than we had anticipated.

Other than the sale of one unit at Villas on the Green in St. Lucia, there were no other property sales in the Development Fund in 2016.

We have been careful to remind shareholders in recent annual reports that the objective of the Development Fund is to hold the non-income producing assets and to seek to purposefully realise value from these assets through sale, joint venture and/or development over the medium term. The purpose is not to hold a "fire sale" of the assets. After three years of limited success, we are now trying to engage more dedicated resources to the task and to take a more proactive approach. It is not in anyone's interest to passively erode shareholder value via carrying costs while there is limited scope for a meaningful rebound in the property market in the near term.

A key part of the strategy is to use the proceeds from asset sales to buy back shares on the stock exchange to reduce the discount. There were no shares repurchased during 2016 due to limited cash resources.

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

As at November 30th 2016, the trading prices and discounts to NAV were as follows:

| | Share Price (30/11/2016) | NAV (30/9/2016) | Discount to NAV |
|------------------------------------|-----------------------------|--------------------|--------------------|
| FCPF SCC - Value Fund Shares | \$0.55 | \$0.77 | 29% |
| FCPF SCC - Development Fund Shares | \$0.20 | \$0.44 | 55% |

Looking Forward

The outlook for the global economy remains mixed, depending on the region, the country and underlying fundamentals. Those who are dependent on the exports of energy and commodities are seeing depressed prices and huge pressure, while the importers of such materials are having the equivalent of a tax ease.

The U.S. and the UK economies are doing relatively well on the back of record low interest rates and now, very low unemployment rates. This is positive for tourism dependent economies in the Caribbean, like Barbados, which are seeing increased arrivals as the airline industry enjoys rare profitability from strong demand and low energy prices. This is helping a renewal in real estate sales for the upper-end second home market which is excellent news for Barbados. The downside is that the strength in the US dollar against other currencies, including the British pound, has also made the Barbados dollar more expensive in global terms.

We are seeing a generally firming trend in real estate prices at levels that are still well below their pre-2008 levels. Relatively few transactions are occurring, though,

and it seems that the market still generally favours buyers. With cash-strapped governments, structural inefficiencies, high costs and spotty infrastructure, Caribbean economies are in general not seeing the kind of economic growth that they could, or that they have in the past. Corporate profits remain under pressure, as do retail sales, and these factors are limiting the upside in the near term for rents and property prices. The overall market is one where investing selectively is important because there is currently no "rising tide" lifting all boats.

Looking forward to the year ahead, both Funds are in better positions to execute their mandates. For the Development Fund, we have engaged dedicated resources to focus on the marketing and sale of assets in an effort to accelerate the liquidation of this fund. For the Value Fund, we expect an exciting year as we strive to develop a strong investment pipeline and be selective in the redeployment of capital raised from the sale of the BET and Carter's buildings.

We are very pleased to report that effective October 1st 2016, Mr. Andrew McConney has been retained by Fortress Fund Managers to assist with the overall

management of both the Value Fund and Development Fund with a special focus on realising value from the Development Fund assets over the next two years. Mr. McConney is a former partner at EY and brings over twenty years of professional experience in Barbados and Canada to the Fund, almost all of it in the area of real estate.

With interest rates at historic low levels there are opportunities to utilise leverage to grow the Value Fund and improve overall returns on equity investments with flow through improved earnings and dividends to shareholders. We think that in an environment of low interest rates and few investment alternatives, a focus on disciplined operations and selective portfolio growth will make the Value Fund an increasingly attractive vehicle for long term investors in the months and years to come.

We thank you, our shareholders, for your patience as we work to position the Fund for the future.



Geoffrey Cave
Chairman



Investment Advisors' Report

Investment Advisors' Report



Terry Hanton



Sir Paul Altman

There has been a recovery in economic activity in Barbados following a return to growth, driven largely by increases in tourism arrivals and the resultant economic benefits. The Central Bank of Barbados is predicting GDP growth of 1.4% in 2016. However, any recovery will take some time to filter through to the property sector.

One very positive note is that we are now seeing the impact of the reduction in commercial bank lending rates driven by the abolition of the Minimum Savings Rate. Commercial banks have been able to trim their lending rates whilst maintaining their spreads by reducing deposit rates. This is already showing a positive impact on warehouse and commercial building construction. And importantly, the lower rates bring back the impact of financial gearing which has benefits for investors. Rates on commercial loans have dropped as low as 4% in some cases and when overall project yield is in the high single digits the return to the equity holders can be double digits. For the first time in many years investors/developers can feel secure in the knowledge that they can leverage up acquisitions and developments with bank borrowings in order to create high returns whilst reducing their personal risk.

In recent months there has been a flurry of activity in sale and leasebacks and properties coming to market, which creates opportunities for the Value Fund that we have been seeking for many years. This comes at a time when the Fund is coming in to cash resources through the sale of the BET complex and the planned sale of the Carter's buildings back to Carter's. Consequently the advisors have been negotiating a number of opportunities. If the negotiations are successful the new acquisitions will provide cash and profit for the Value Fund for years to come. The challenge rests in trying to determine the correct price to pay when competing with individual investors who do not have the rigours of regulatory reporting and asset valuations. Whilst the Value Fund is at a disadvantage against private equity seeking yield, it is at an advantage in having a tax efficient vehicle for ownership.

By contrast, the market conditions for the divestment of the Development Fund assets have been poor, both in Barbados and in St Lucia. Conditions for sale of residential land and buildings and for the development of green field residential sites continue to exhibit oversupply and low demand.

The advisors and your board are developing a new strategic direction for the divestment of those assets and the retention of Andrew McConney by Fortress Fund Managers is intended to refocus the divestment strategy. Andrew has had a very successful career with EY in advisory services and his immediate focus is the Development Fund.

General Market Conditions

Residential land sales have shown little growth except in small lots for low to middle income housing. Lot prices continue to fall and are at least 40% off the peak of ten years ago. The volume of transactions is 38% off the peak reached in 2009.

Similarly, house sales have been weak and prices are now well below replacement cost making the construction of new homes less viable than buying and renovating existing properties.

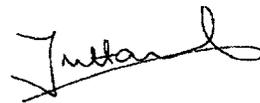
Warehousing statistics have shown some strength and are indicative of the retooling of businesses post the recession. Retail development continues unabated and there seems to be continued stability in rental rates and occupancy.

The office sector remains weak, particularly in the B & C class segments and poses challenges for landlords evaluating the cost/benefit of renovations amidst a general oversupply of office space.

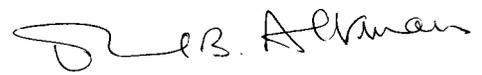
Conclusion

In conclusion, the current market exhibits opportunities for the Value Fund to acquire well tenanted, good yielding property and the aim of the advisors will be to use this opportunity to grow the Value Fund through acquisitions and partnerships.

The Development Fund divestment will be more challenging, given market conditions and the advisors will work closely with the Fund managers and the Board to use innovative strategies to achieve the divestment goals.



Terry Hanton



Paul Altman

Corporate Governance

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

BOARD OF DIRECTORS & CORPORATE SECRETARY

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

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

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



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

During the 2016 National Independence Honours, Sir Geoffrey was bestowed with the title of Knight of St. Andrew for his "outstanding contribution to business". Sir Geoffrey served as an Independent Senator of Barbados in the Upper House from October 2009 until February 2013. In 2007, the University of the West Indies conferred on him an Honorary Degree of Doctor of Laws (LLD) and in the Queen's New Year's Honours List in 2003, he was appointed Commander of the Most Excellent Order of the British Empire. His distinguished career in business in Barbados and the region was recognized in 2001 when he was honoured with the Caribbean Master Entrepreneur Award.

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

| NATIONALITY | POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC | DATE OF FIRST ELECTION |
|-------------|--|------------------------|
| Barbadian | Non-Executive Chairman | 1999 |

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



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

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

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

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

| NATIONALITY | POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC | DATE OF FIRST ELECTION |
|-------------|--|------------------------|
| Barbadian | Non-Executive Director | 2007 |

Board of Directors & Corporate Secretary

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



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

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

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

In 2015, he was honoured with the title of Knight Bachelor, as part of the British Honours System, for services to the preservation of historic buildings and real estate development.

NATIONALITY
Barbadian

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

DATE OF FIRST ELECTION
1999

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



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

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

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

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

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Independent Director

DATE OF FIRST ELECTION
2006

Maureen D. Davis
Non-Executive
Director
Born 1964



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

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

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

NATIONALITY
Barbadian

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

DATE OF FIRST ELECTION
1999

Board of Directors & Corporate Secretary

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



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

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

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

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

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Independent Director

DATE OF FIRST ELECTION
1999

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



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

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

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

NATIONALITY
Barbadian

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

DATE OF FIRST ELECTION
1999

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



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

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

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

NATIONALITY
Barbadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Independent Director

DATE OF FIRST ELECTION
2009

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



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

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

Ms. Chrysostom holds a Masters of Business Administration from the University of Durham, UK.

NATIONALITY
Trinidadian

POSITION WITH FORTRESS CARIBBEAN PROPERTY FUND LIMITED SCC
Corporate Secretary

DATE OF FIRST ELECTION
2013

Directors' Shareholdings

Directors' shareholdings in Fortress Caribbean Property Fund Limited SCC as at September 30th 2016 and as at December 15th 2016 are as follows:

| | Shares as at 30-Sep-16 | Shares as at 15-Dec-16 | Shares as at 30-Sep-16 | Shares as at 15-Dec-16 |
|-----------------|------------------------|------------------------|-------------------------|-------------------------|
| | Value Fund Shares | Value Fund Shares | Development Fund Shares | Development Fund Shares |
| R. G. Cave | 32,000 | 32,000 | 32,000 | 32,000 |
| J.M.B. Williams | 17,000 | 17,000 | 17,000 | 17,000 |
| P. Altman | 659,920 | 659,920 | 659,920 | 659,920 |
| C.A. Audain | 26,000 | 26,000 | 26,000 | 26,000 |
| M. Davis | 21,506 | 21,506 | 21,506 | 21,506 |
| T. Carmichael | 26,333 | 26,333 | 26,333 | 26,333 |
| T. Hanton | 7,200 | 7,200 | 7,200 | 7,200 |
| H.C.A Leacock | NIL | NIL | NIL | NIL |

Note: There was no change in directors' shares between the period October 1st 2016 and December 15th 2016.

BOARD OPERATIONS

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

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

During 2016 the Board had three (3) formal meetings. The Board manages an annual schedule of critical items designed to ensure that it fulfils its obligations. The Board reviewed and approved financial statements, final dividend payments, various Company policies and procedures and investment opportunities for the Company. The Board also reviewed and managed Company risk and received reports on the work carried out by its Audit, Corporate Governance & Nomination and Investment Committees.

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

| | Board Meetings | Audit Committee Meetings | Corporate Governance & Nomination Committee Meetings | Investment Committee Meetings | Total |
|-----------------|----------------|--------------------------|--|-------------------------------|-------|
| R. G. Cave | 3/3 | | | | 3/3 |
| J.M.B. Williams | 3/3 | 2/2 | | 1/1 | 6/6 |
| P. Altman | 3/3 | | | | 3/3 |
| C.A. Audain | 3/3 | 2/2 | 1/2 | | 6/7 |
| M. Davis | 3/3 | | | | 3/3 |
| T. Carmichael | 3/3 | | 1/2 | | 4/5 |
| T. Hanton | 3/3 | | | | 3/3 |
| H.C.A. Leacock | 3/3 | 2/2 | 2/2 | 1/1 | 8/8 |

ONGOING DIRECTOR DEVELOPMENT

During 2016 ongoing Directors' education focused on anti-money laundering and terrorist financing and implementation of the Barbados Stock Exchange Corporate Governance Recommendations. The Board is committed to ongoing education of its Directors.

BOARD EVALUATIONS

In 2016 the Board undertook its annual performance evaluation. The Board delegated this function to the Corporate Governance & Nomination Committee with the assistance of the Corporate Secretary. The performance evaluation addressed the performance and effectiveness of the individual directors and the Board's performance as a whole.

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

BOARD COMMITTEES

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

THE AUDIT COMMITTEE

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

The majority of the members of the Audit Committee are independent directors. An independent member is an individual who meets the independence requirements of the Company's Corporate Governance Policy. The majority of members are financially literate with a sound understanding of the accounting principles and who possess the experience in analyzing and evaluating financial statements.

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

AUDIT COMMITTEE OPERATIONS

The principal business for 2016 included:

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

AUDIT FEES

Audit Fees for the Property Fund are as follows:

| | 2016 (000's) | 2015 (000's) |
|--------------|-----------------|-----------------|
| Audit fees | \$40 | \$40 |
| Tax fees | \$6 | \$6 |
| TOTAL | \$46 | \$46 |

THE CORPORATE GOVERNANCE & NOMINATION COMMITTEE

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

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

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

CORPORATE GOVERNANCE & NOMINATION COMMITTEE OPERATIONS

The Committee's principal business for 2016 included:

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

THE INVESTMENT COMMITTEE

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

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

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

INVESTMENT COMMITTEE OPERATIONS

The Committee's principal business for 2016 included:

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

Value Fund



The CWBET Building

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

The Fund is a 57% shareholder in the BET Building Joint Venture, a vehicle for ownership of the BET Building in Wildey, Barbados, previously occupied by Cable & Wireless under a long-term lease. The lease was terminated in October 2015. On November 29, 2016, the Directors of the BET Building Joint Venture concluded an agreement for the sale of the property for a gross consideration of \$16.5 million. Net proceeds to the joint venture will be \$14.7 million. The sale subsequently closed on December 1, 2016. The joint venture has received an immediate payment from the purchaser of \$10 million, less closing costs, and has taken a vendor's mortgage for the balance of \$6.5 million due December 1, 2018. The purchaser is Era Educational Services DMCC, a company incorporated in Dubai and registered as an external company under the Companies Act.

The transaction will result in a gross loss to the joint venture of \$10 million. This has been partially offset by a lease surrender fee of \$5.9 million, received in January 2016, resulting in an overall loss to the joint venture of \$2.3 million before selling costs. Selling costs are estimated at \$1.8 million and include

commissions, legal fees, property transfer tax, and stamp duty. The net loss to the joint venture after fees and expenses will be \$4.1 million. Fortress Caribbean Property Fund Limited SCC - Value Fund will share in this transaction to the extent of its 57% shareholding in the joint venture. The net loss to the Fund will therefore be \$2.3 million of which \$1.7 million was already booked in the Fund's third quarter financial statements. The additional charge of \$0.6 million was booked in the fourth quarter ending September 30, 2016. The joint venture will continue to receive lease payments of \$150,000 per annum for the part of the BET Building property that houses the cellular tower until December 1, 2018.

While the sale price of the property is a discount to book value, it reflects the significant costs that would have been incurred for the site to be redeveloped for new tenants following the termination of the Cable & Wireless lease. The transaction provides the Fund with immediate cash resources to reinvest in long-term, revenue-generating real estate assets consistent with its mandate.



No. 24 Broad Street

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

No. 24 Broad Street is in the centre of Bridgetown. It encompasses 14,000 square feet of office and retail space. The building is leased on a triple net basis to Duty Free Caribbean who sublets the ground floor to Colombian Emeralds International on a seven-year lease ending August 2016. During the year, agreement was reached on the renewal of this lease for a further five years, with the landlord agreeing to renovate the washrooms, entrance foyer, stairwells and circulation

space as well as to replace the elevator. As at September 20, 2016, \$145,171 had been spent on the renovations and capitalised.

The Fund received \$993,645 (2015 - \$967,000) in rental income in the year.

The valuers have increased the value of the property to \$8.75 million resulting in a fair value gain of \$104,829.



Carlisle House

Location - Bridgetown, Barbados
 Fair Market Value - \$10.25 million
 Tenantable Space - 42,490 square feet
 Property Type - Commercial

The property earned \$1.56 million in gross rents, (\$1.68 million - 2015) and net income from this property decreased to \$0.74 million from \$0.76 million in 2015. The valuers decreased the property value to \$10.25 million from \$11.0 million. The main reason for the decrease in value is a reduction in occupancy.

Occupancy of the building decreased from 78% to 42% and the top floor remains unrented, which is consistent with increasing vacancy in Bridgetown.



Chattel Village

Location - Holetown, Barbados
 Fair Market Value - \$1.2 million
 Tenantable Space - 8,000 square feet
 Property Type - Commercial

The Chattel Village is 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 \$549,000 (2015 - \$537,000) as the property was fully occupied during the year. This property presents well and has been successful for the Fund. During the year, there was

an increase in net property income as a result of the agreed rent increases.

The property is leased from Sunset Crest Property Owners Inc. until August 2026. This is a lease hold interest and the valuer increased the value by \$25,000 (2015 - \$95,000 decrease) in the current year commensurate with the increased earnings, also taking into account the remaining term of the lease.



Sunset Mall

Location - Sunset Crest, St. James
 Fair Market Value - \$10.25 million (entire joint venture)
 Property Type - Commercial Building

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

The building was renovated in 2012 and underwent a major repair of the roof in readiness for a solar

photovoltaic project which has reduced the tenants' operating costs significantly. The property has increased in value to \$10,250,000 (2015 - \$9.8 million).

During the year ended September 2016 the Fund's proportionate share of the joint venture's net income, including fair value gains, amounted to \$349,204 (2015 - \$216,384).



Carter's Buildings and Cave Shepherd Building

Location - Various locations, Barbados
 Fair Market Value - \$74 million (entire joint venture)
 Property Type - Commercial

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

Three of the buildings (Carter's buildings) are leased back to Carter & Co. Ltd. on leases extending to between 2019 and 2026. During the year, the joint venture entered an agreement with the tenant to sell them the buildings known as the Carter's buildings for a total price of \$22,000,000. The properties have been valued at the agreed price and the sale is expected to close on January 31, 2017. Selling costs with respect to this sale have been provided, amounting to \$990,000.

The lease for the Cave Shepherd building in Broad Street commenced in 2005 and has been extended a further five years to expire in 2029. The joint venture had previously committed to investing in major capital projects including a new air conditioning system and a top floor renovation, replacement of the existing

escalators, installation of additional downward bound escalators as well as upgrade of floors, ceiling and lighting. During the year, in exchange for the lease extension, a further sum was committed in respect to the upgrade of floors, ceiling and lighting.

These capital works which have to date cost \$7.2 million have transformed the property into the most modern retail facility in Bridgetown. The project is a blueprint for a landlord and tenant working closely together to enhance their returns and to produce a competitive asset that is sustainable. The lease contains provisions for rent increments commensurate with the capital expenditure.

The portfolio of properties has increased in value to \$74 million, resulting in a fair value gain of \$6.4 million in 2016 (\$847,000 in 2015).

During the year ended September 2016 the Fund's proportionate share of the joint venture's net income (including fair value gains) amounted to \$2.7 million (2015 - \$1.5 million). The Fund's interest in the buildings is \$17.8 million (2015 - \$15.7 million).

Development Fund



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

Apes Hill Polo Villa

Location - Waterhall, Barbados
Carrying Value - \$1.29 million - Furnished
Property Type - Residential Unit

The valuers maintained the value of the property at \$1.35 million. During a valuation, the property, including furniture, was tested for value impairment, and the net realisable value has been reduced to \$1.29 million, resulting in an impairment loss of \$15,000 (2015 - \$20,000).



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 the Town & Country Development Planning Office 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, and with the construction of the club house we expect to see activity in this market.

Apes Hill Land

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

The valuers reduced the appraised value to \$875,000 (2015 - \$950,000). Based on this valuation, the real estate available for re-sale is included at its net realisable value of \$805,000. There was an impairment loss of \$69,000 (2015 - nil).

The Board is optimistic about this asset and the Apes Hill Polo Villa, based on the completion and opening of the new clubhouse at Apes Hill.



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

Holder's Site

Location - Holder's, Barbados
 Carrying Value - \$1.38 million
 Size - 158,000 square feet
 Property Type - Residential

The valuers maintained the appraised value at \$1.5 million. Based on this valuation the real estate available for re-sale is included at its net realisable value of \$1.38 million.



The Fund acquired an 18-acre site adjacent to the third and seventh hole at the Cap Estate Golf Club in St. Lucia in 2008. The Fund developed 20 townhouses on part of the site of which 14 have been sold.

During the financial year one (2015 - two) unit sold resulting in a small book loss of \$73,572 (2015 - \$78,869). There are now six units available. Of these four are rented, one is available for rent and the last one is the show unit. The remainder of the site comprises 13.8 acres of vacant land.

The development incurred \$196,604 (2015 - \$164,085) in property, maintenance and upgrade, administrative and other holding costs, net of rental income of \$106,028 (2015 - \$156,418). Together with debt service this resulted in a net loss before impairment (and after interest in 2015) of \$239,927 (2015 - \$247,587) from the Villas on the Green development.

Villas on the Green

Location - Cap Estate, St. Lucia
 Carrying Value - \$5.5 million
 Property Type - Residential Development

Real estate available for re-sale is carried at lower of cost or net realisable value. The valuers reduced the land value from US\$1.4 million to US\$1.3 million and maintained the value of the two and three bedroom townhouses at US\$250,000 and 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 \$227,066 (2015 - \$516,750) being recognised.

A central pool was built during the year and will stimulate future sales. The communal management of the development was also handed over to homeowners.

The property is carried at \$2.4 million for the remaining townhouses and \$3.1 million for the undeveloped lands.



Wotton Lands

Location - Wotton, Barbados
 Carrying Value - \$5.52 million
 Property Type - Undeveloped Commercial Lands

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

The valuers maintained the appraised value of the land at \$6 million. Based on this valuation the real estate available for re-sale is included at its net realisable value of \$5.52 million.



Rockley Cane Garden

Location - Rockley, Barbados
 Carrying Value - \$1.725 million
 Property Type - Undeveloped Lands

The Rockley Cane Garden site encompasses 151,000 square feet of land approved for the development of 26 townhouses.

The Rockley Cane Garden development spent \$13,470 (2015 - \$17,863) in professional fees in relation to the planned development, as well as property, administrative and other holding costs.

Real estate available for re-sale is carried at lower of cost or net realisable value. At year end an independent valuation was performed on the land and there was a decline in appraised value from \$2 million to \$1.875 million. The Cane Garden site is included at its net realisable value of \$1.725 million (2015 - \$1.84 million), resulting in an impairment loss of \$115,000 (2015 - nil) being recognised.



Lion Castle Lot 21

Location - Lion Castle, Barbados
 Carrying Value - \$726,800
 Property Type - Undeveloped Residential Lands

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

Real estate available for re-sale is carried at lower of cost or net realisable value. The valuers reduced the

appraised value from \$0.85 million to \$0.79 million. Based on this valuation the real estate available for re-sale was adjusted to its net realisable value of \$726,800, resulting in an impairment loss of \$55, 200 (2015 - \$46,000).



Limegrove Hillside Villa

Location - Limegrove, Barbados
 Carrying Value - \$1.15 million
 Property Type - Residential Unit

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

At year end an independent valuation was performed on the villa and the valuers maintained their appraised value

of \$1.25 million. Based on this valuation the real estate available for re-sale is recorded at its net realisable value of \$1.15 million.



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

Lower Estate Lands

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

The lands are included in the books of the joint venture as real estate available for re-sale at adjusted cost since the lots are being actively marketed for resale. The Fund's interest in the land at September 2016 is \$1.8 million.



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

The land has been classified as an investment in an associated company and is carried at cost which is lower

Canouan Land

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

than its net realisable value. The Fund's portion of the cost is BBD \$3.0 million. The property is being offered for sale by Canouan Realty at a price of US \$8.5 million.



Rockley Central Area

Location - Rockley, Barbados

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

Property Type - Undeveloped Lands

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

The 2.5-acre site, formerly the central facilities location and tennis centre, remains undeveloped and is earmarked as Phase III of the development. The re-development is in its early stages, and the date for the commencement of this phase has not yet been determined but subdivision approval is in place.

During the year, \$40,079 (2015 - \$49,066) was spent by each partner of the joint venture on maintenance,

property, administrative and other holding costs. Gross rental income of \$45,612 (2015 - \$46,050) was earned to defray such costs.

Real estate available for re-sale is carried at lower of cost or net realisable value. The valuers maintained the valuation of the site at \$2.25 million. Based on the valuation, the Rockley Central Area is included in the Fund at 50% of its net realisable value, being \$1.035 million.

The Fund's share of the net assets is \$0.767 million (2015 - \$0.756 million).



Financial Statements

December 15, 2016

The Board of Directors
Fortress Caribbean Property Fund
Carlisle House
Bridgetown

Dear Members of the Board,

As instructed we have conducted appraisals of the properties of the Fortress Caribbean Property Fund and we have formed an opinion of their Fair Values as at August 31, 2016. In accordance with the International Accounting Standards Board (IASB) -IFRS 13, Fair Value is defined as:

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

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

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

The properties appraised were:

- Broad Street 24
- Carlisle House
- Chattel Village

In our opinion, the combined market value of the above listed properties at the effective date is **\$20,200,000**.

Sincerely,

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

Andrew W. Mallalieu, MRICS, CPA
Chief Executive



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

Tel: 246 430 3900
Fax: 246 426 9551
246 430 3879
246 430 1352
www.ey.com

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

AUDITORS' REPORT

To the Shareholders of Fortress Caribbean Property Fund Limited SCC

We have audited the accompanying financial statements of **Fortress Caribbean Property Fund Limited SCC**, which comprise the statement of financial position as at 30 September 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the statement of financial position of **Fortress Caribbean Property Fund Limited SCC** as at 30 September 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

This report is made solely to the Fund's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Fund's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Ernst & Young Ltd
CHARTERED ACCOUNTANTS
Barbados
29 December 2016

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Financial Position

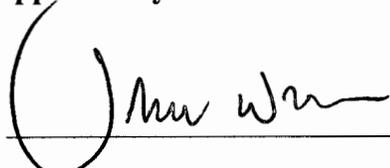
As at September 30, 2016

(expressed in Barbados dollars)

| | Note | 2016 \$ | 2015 \$ |
|---|------|-------------------|-------------------|
| Value Fund | | | |
| Assets | | | |
| Investment properties | 5 | 36,700,000 | 45,375,000 |
| Investments in associated companies and joint arrangements | 8 | 19,778,505 | 16,699,222 |
| Financial assets at fair value through profit or loss | 9 | 8,000 | 8,000 |
| Accounts receivable and prepaid expenses | 11 | 553,370 | 385,345 |
| Due from related parties | 17 | 189,790 | 96,447 |
| Cash and cash equivalents | 10 | 8,294,962 | 3,790,326 |
| Total assets | | 65,524,627 | 66,354,340 |
| Liabilities | | | |
| Loans payable | 13 | 10,580,000 | 10,580,000 |
| Accounts payable and accrued expenses | 12 | 2,304,528 | 431,126 |
| Security and advance deposits | | 347,052 | 360,574 |
| Total liabilities | | 13,231,580 | 11,371,700 |
| Total assets less liabilities | | 52,293,047 | 54,982,640 |
| Equity | | | |
| Capital and reserves attributable to the Fund shareholders | | | |
| Share capital | 18 | 37,209,540 | 37,209,540 |
| Retained earnings | | 5,611,752 | 6,511,462 |
| Total shareholders' funds | | 42,821,292 | 43,721,002 |
| Non-controlling interests | 7 | 9,471,755 | 11,261,638 |
| | | 52,293,047 | 54,982,640 |
| Net asset value per share | 19 | 0.77 | 0.79 |

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

Approved by the Board of Directors on December 29, 2016


Director


Director

Fortress Caribbean Property Fund Limited SCC

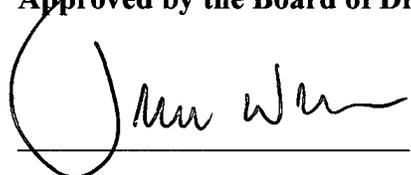
Consolidated Statement of Financial Position...*continued*

As at September 30, 2016

(expressed in Barbados dollars)

| | Note | 2016 \$ | 2015 \$ |
|---|------|-------------------|-------------------|
| Development Fund | | | |
| Assets | | | |
| Real estate available for re-sale | 6 | 19,099,771 | 20,168,175 |
| Investments in associated companies and joint arrangements | 8 | 4,864,046 | 4,893,907 |
| Accounts receivable and prepaid expenses | 11 | 464,335 | 472,466 |
| Due from related parties | 17 | 48,000 | 48,000 |
| Cash and cash equivalents | 10 | 547,719 | 1,566,856 |
| Total assets | | 25,023,871 | 27,149,404 |
| Liabilities | | | |
| Accounts payable and accrued expenses | 12 | 530,872 | 641,922 |
| Security and advance deposits | | 265,262 | 1,163,044 |
| Due to related parties | 17 | 189,790 | 111,481 |
| Total liabilities | | 985,924 | 1,916,447 |
| Total assets less liabilities | | 24,037,947 | 25,232,957 |
| Equity | | | |
| Capital and reserves attributable to the Fund shareholders | | | |
| Share capital | 18 | 28,731,519 | 28,731,519 |
| Retained deficit | | (4,693,572) | (3,498,562) |
| Total shareholders' funds | | 24,037,947 | 25,232,957 |
| Net asset value per share | 19 | 0.44 | 0.46 |

Approved by the Board of Directors on December 29, 2016

 Director

 Director

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Changes in Equity

For the year ended September 30, 2016

(expressed in Barbados dollars)

| | Value Fund | | | | Development Fund | | |
|---|-----------------------------------|-------------------|---------------------------|--------------------|-----------------------------------|-----------------------------|--------------------|
| | Attributable to Fund shareholders | | | Total | Attributable to Fund shareholders | | |
| | Share capital | Retained earnings | Non-controlling interests | | Share capital | Retained earnings/(deficit) | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 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 |
| Treasury shares (note 18) | – | – | – | – | (237,084) | 129,859 | (107,225) |
| Dividends declared 3.5 cents per share (note 14) | – | (1,947,843) | – | (1,947,843) | – | – | – |
| Distributions to non-controlling interests (note 7) | – | – | (1,935,000) | (1,935,000) | – | – | – |
| Total comprehensive income/(loss) for the year | – | 976,338 | (856,795) | 119,543 | – | (1,533,488) | (1,533,488) |
| Balance - September 30, 2015 | 37,209,540 | 6,511,462 | 11,261,638 | 54,982,640 | 28,731,519 | (3,498,562) | 25,232,957 |
| Dividends declared 3.0 cents per share (note 14) | – | (1,669,583) | – | (1,669,583) | – | – | – |
| Distributions to non-controlling interests (note 7) | – | – | – | – | – | – | – |
| Total comprehensive income/(loss) for the year | – | 769,873 | (1,789,883) | (1,020,010) | – | (1,195,010) | (1,195,010) |
| Balance - September 30, 2016 | 37,209,540 | 5,611,752 | 9,471,755 | 52,293,047 | 28,731,519 | (4,693,572) | 24,037,947 |

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

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Comprehensive Income/(Loss)

For the year ended September 30, 2016

(expressed in Barbados dollars)

| | Note | 2016 \$ | 2015 \$ |
|--|-----------|--------------------|------------------|
| Value Fund | | | |
| Revenue | | | |
| Net rental income | 15 | 1,808,312 | 7,318,701 |
| Fair value losses on investment property | 5 | (8,820,171) | (7,395,000) |
| Share of profit of investments accounted for using the equity method | 8 | 3,079,283 | 1,700,126 |
| Lease surrender fee | | 5,925,000 | – |
| Interest income | | 33,441 | 5,466 |
| Dividend income | | 64 | 306 |
| Other income | | 9,960 | 747 |
| Total investment income | | 2,035,889 | 1,630,346 |
| Expenses | | | |
| Provision for selling costs of property | | 1,755,500 | – |
| Interest expense | | 478,688 | 607,832 |
| Fund management fees | 17 | 324,458 | 340,886 |
| Investment advisor fees | 17 | 324,458 | 340,886 |
| Professional fees | | 121,768 | 146,253 |
| Directors and subcommittee fees | 17 | 29,437 | 28,527 |
| Office and administrative expenses | | 18,504 | 22,219 |
| Impairment charge for receivables | 11 | 3,086 | 24,200 |
| Operating expenditure | | 3,055,899 | 1,510,803 |
| Total comprehensive (loss)/income for the year | | (1,020,010) | 119,543 |
| Attributable to: | | | |
| Cellular property fund shareholders | | 769,873 | 976,338 |
| Non- controlling interests | 7 | (1,789,883) | (856,795) |
| Total comprehensive (loss)/ income for the year | | (1,020,010) | 119,543 |
| Earnings per share - basic and diluted | 19 | 0.01 | 0.02 |

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

Fortress Caribbean Property Fund Limited

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

For the year ended September 30, 2016

(expressed in Barbados dollars)

| | Note | 2016 \$ | 2015 \$ |
|--|------|--------------------|--------------------|
| Development Fund | | | |
| Revenue | | | |
| Share of loss of investments accounted for using the equity method | 8 | (29,861) | (18,132) |
| Net gain on financial assets at fair value through profit or loss | 9 | – | 8,583 |
| Interest income | | 5,324 | 41,010 |
| Other income | | 6,315 | 4,578 |
| Total investment income | | (18,222) | 36,039 |
| Expenses | | | |
| Impairment loss on real estate available for re-sale | 6 | 481,444 | 720,987 |
| Net carrying costs of real estate available for re-sale | 16 | 323,251 | 299,490 |
| Professional fees | | 116,705 | 117,769 |
| Fund management fees | 17 | 103,964 | 121,399 |
| Investment advisor fees | 17 | 103,964 | 121,399 |
| Net loss on sale of real estate available for re-sale | 16 | 73,572 | 78,879 |
| Directors and subcommittee fees | 17 | 16,558 | 17,485 |
| Office and administrative expenses | | 9,950 | 4,733 |
| Interest expense | | 7,037 | 97,386 |
| Impairment recovery for receivables | 11 | (59,657) | (10,000) |
| Operating expenditure | | 1,176,788 | 1,569,527 |
| Total comprehensive loss for the year | | (1,195,010) | (1,533,488) |
| Attributable to: | | | |
| Cellular property fund shareholders | | (1,195,010) | (1,533,488) |
| Total comprehensive loss for the year | | (1,195,010) | (1,533,488) |
| Loss per share - basic and diluted | 19 | (0.02) | (0.03) |

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

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows

For the year ended September 30, 2016

(expressed in Barbados dollars)

| | 2016 \$ | 2015 \$ |
|--|--------------------|--------------------|
| Value Fund | | |
| Cash flows from operating activities | | |
| Total comprehensive (loss)/income for the year | (1,020,010) | 119,543 |
| Adjustments for: | | |
| Fair value losses on investment property | 8,820,171 | 7,395,000 |
| Share of loss of investments accounted for using the equity method | (3,079,283) | (1,700,126) |
| Impairment charge for receivables | 3,086 | 24,200 |
| Interest income | (33,441) | (5,466) |
| Interest expense | 478,688 | 607,832 |
| Dividend income | (64) | (306) |
| | <hr/> | <hr/> |
| Operating income before working capital changes | 5,169,147 | 6,440,677 |
| Net increase in accounts receivable and prepaid expenses | (171,111) | (128,626) |
| Net increase/(decrease) in accounts payable and accrued expenses | 1,873,402 | (134,728) |
| Net (decrease)/increase in security and advance deposits | (13,522) | 15,513 |
| Net increase in due to/from related parties | (93,343) | (160,948) |
| Additions to investment properties | (145,171) | — |
| | <hr/> | <hr/> |
| Cash generated from operations | 6,619,402 | 6,031,888 |
| Interest received | 33,441 | 5,466 |
| Interest paid | (478,688) | (562,832) |
| Dividends received | 64 | 306 |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 6,174,219 | 5,474,828 |
| | <hr/> | <hr/> |
| Cash flows from financing activities | | |
| Distributions to non-controlling interests | — | (1,935,000) |
| Dividends paid | (1,669,583) | (1,947,843) |
| Loan advances received | — | 10,500,000 |
| Repayment of loans | — | (10,327,387) |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (1,669,583) | (3,710,230) |
| | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 4,504,636 | 1,764,598 |
| | <hr/> | <hr/> |
| Cash and cash equivalents - beginning of year | 3,790,326 | 2,025,728 |
| | <hr/> | <hr/> |
| Cash and cash equivalents - end of year | 8,294,962 | 3,790,326 |

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

Fortress Caribbean Property Fund Limited SCC

Consolidated Statement of Cash Flows...continued

September 30, 2016

(expressed in Barbados dollars)

| | 2016 | 2015 |
|---|--------------------|------------------|
| | \$ | \$ |
| Development Fund | | |
| Cash flows from operating activities | | |
| Total comprehensive loss for the year | (1,195,010) | (1,533,488) |
| Adjustments for: | | |
| Share of loss of investments accounted for using the equity method | 29,861 | 18,132 |
| Net loss on sale of real estate available for re-sale | 73,572 | 78,879 |
| Impairment recovery for receivables | (59,657) | (10,000) |
| Impairment loss on real estate available for re-sale | 481,444 | 720,987 |
| Net gain on financial assets at fair value through profit or loss | - | (8,583) |
| Interest income | (5,324) | (41,010) |
| Interest expense | 7,037 | 97,386 |
| Operating loss before working capital changes | (668,077) | (677,697) |
| Net decrease/(increase) in accounts receivable and prepaid expenses | 67,788 | (47,247) |
| Net decrease in accounts payable and accrued expenses | (111,050) | (432,810) |
| Net (decrease)/increase in security and advance deposits | (655,652) | 23,044 |
| Net increase due to/from related parties | 78,309 | 1,267,982 |
| Net proceeds from sale of real estate available for re-sale | 513,388 | 838,247 |
| Purchase of financial assets at fair value through profit or loss | - | (600,000) |
| Proceeds on sale of financial assets at fair value through profit or loss | - | 1,546,876 |
| Cash (used in)/generated from operations | (775,294) | 1,918,395 |
| Interest received | 5,324 | 41,010 |
| Interest paid | (249,167) | (7,363) |
| Net cash (used in)/generated from operating activities | (1,019,137) | 1,952,042 |
| Cash flows from investing activities | | |
| Investment in associated company | - | (176,077) |
| Net cash used in investing activities | - | (176,077) |
| Cash flows from financing activities | | |
| Repurchase of shares | - | (107,225) |
| Repayment of loans | - | (393,138) |
| Net cash used in financing activities | - | (500,363) |
| Net (decrease)/increase in cash and cash equivalents | (1,019,137) | 1,275,602 |
| Cash and cash equivalents - beginning of year | 1,566,856 | 291,254 |
| Cash and cash equivalents - end of year | 547,719 | 1,566,856 |

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

For the year ended September 30, 2016

(expressed in Barbados dollars)

1 Incorporation and principal activities

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

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

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

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

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

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

These consolidated financial statements have been authorised for issue by the Board of Directors on December 29, 2016.

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, 2016

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

a) Basis of preparation ...continued

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

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

New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning October 1, 2015 that would be expected to have a material impact on the Fund.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, 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 January 1, 2018.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

a) Basis of preparation ...continued

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

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:

| | 2016 | 2015 |
|------------------------------|------|------|
| Value Fund | | |
| BET Building Joint Venture | 57% | 57% |
| Development Fund | | |
| Fortress (St. Lucia) Limited | 100% | 100% |
| JK Holdings Limited | 100% | 100% |

Changes in ownership interests in subsidiaries without change of control

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

i) Subsidiaries...continued

Disposal of subsidiaries

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

ii) Associates

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

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

| | 2016 | 2015 |
|----------------------------------|------|------|
| Development Fund | | |
| Contonou Shores Ltd. | 35% | 35% |
| Rockley Development Limited | 50% | 50% |
| Canouan CS&F Investments Limited | 35% | 35% |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

b) Consolidation...continued

iii) Joint arrangements

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

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

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

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

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

| | 2016 | 2015 |
|------------------------------------|------|------|
| Value Fund | | |
| Joint ventures | | |
| The Sunset Joint Venture | 24% | 24% |
| The CS&C Joint Venture - account 1 | 24% | 24% |
| Development Fund | | |
| Joint ventures | | |
| The CS&C Joint Venture - account 2 | 24% | 24% |
| Joint operations | | |
| Rockley Joint Venture | 50% | 50% |

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(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, 2016

(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, 2016

(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.

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

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

e) Accounting for leases

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

f) Investment properties

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

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

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(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.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

k) Share capital

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

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

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

l) Net asset value per share and earnings per share

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

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

m) Dividends payable

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

n) Revenue recognition

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

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

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

o) Taxation

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

2 Summary of significant accounting policies...continued

p) Expenses

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

q) Management and advisor fees

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

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

r) Loans payable

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

s) Segment reporting

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

t) Security and advance deposits

The Fund obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 12 months. Such deposits are treated as financial 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, 2016

(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, 2016 is disclosed in note 9.

Sensitivity

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

i) Price risk...continued

| | Carrying value \$ | Effective change at September 2016 | Impact on income \$ |
|---|-------------------------|---|---------------------------|
| September 30, 2016 | | | |
| Value Fund: | | | |
| Listed on Caribbean stock exchanges and markets | 8,000 | 6% | 480 |
| <hr/> | | | |
| | Carrying value \$ | Effective change at September 2015 | Impact on income \$ |
| September 30, 2015 | | | |
| Value Fund: | | | |
| Listed on Caribbean stock exchanges and markets | 8,000 | 6% | 480 |
| <hr/> | | | |

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, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Market risk...continued

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

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(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, 2015 | | | | | |
| Value Fund | | | | | |
| Financial assets | | | | | |
| Financial assets at fair value through profit or loss | – | – | – | 8,000 | 8,000 |
| Accounts receivable | – | – | – | 339,328 | 339,328 |
| Due from related parties | – | – | – | 96,447 | 96,447 |
| Cash and cash equivalents | – | – | – | 3,790,326 | 3,790,326 |
| Total financial assets | – | – | – | 4,234,101 | 4,234,101 |
| Financial liabilities | | | | | |
| Loans payable | – | – | 10,500,000 | 80,000 | 10,580,000 |
| Accounts payable and accrued expenses | – | – | – | 431,126 | 431,126 |
| Security and advance deposits | – | – | – | 360,574 | 360,574 |
| Total financial liabilities | – | – | 10,500,000 | 871,700 | 11,371,700 |
| Development Fund | | | | | |
| Financial assets | | | | | |
| Accounts receivable | – | – | – | 416,206 | 416,206 |
| Due from related parties | – | 48,000 | – | – | 48,000 |
| Cash and cash equivalents | 1,140,000 | – | – | 426,856 | 1,566,856 |
| Total financial assets | 1,140,000 | 48,000 | – | 843,062 | 2,031,062 |
| Financial liabilities | | | | | |
| Accounts payable and accrued expenses | – | – | – | 641,922 | 641,922 |
| Security and advance deposits | 1,140,000 | – | – | 23,044 | 1,163,044 |
| Due to related parties | – | – | – | 111,481 | 111,481 |
| Total financial liabilities | 1,140,000 | – | – | 776,447 | 1,916,447 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management ...continued

Market risk ...continued

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

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

At September 30, 2016, the majority of the Fund's financial assets and liabilities are non-interest bearing. The Fund's debt securities and long term debt are fixed rate instrument. As a result the Fund is not subject to significant amounts of cash flow interest risk due to fluctuation in the prevailing levels of market interest rates.

iii) Foreign currency risk

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

Credit risk

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

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

| | Value Fund \$ | Development Fund \$ |
|-------------------------------|------------------------------|------------------------------------|
| September 30, 2016 | | |
| Accounts receivable | 413,195 | 387,220 |
| Due from related parties | 189,790 | 48,000 |
| Cash and cash equivalents | 8,294,962 | 547,719 |
| Total financial assets | 8,897,947 | 982,939 |
| | | |
| | Value Fund \$ | Development Fund \$ |
| September 30, 2015 | | |
| Accounts receivable | 339,328 | 416,206 |
| Due from related parties | 96,447 | 48,000 |
| Cash and cash equivalents | 3,790,326 | 1,566,856 |
| Total financial assets | 4,226,101 | 2,031,062 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Credit risk...continued

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

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

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

| | Value Fund \$ | Development Fund \$ |
|--|---------------------|---------------------------|
| Cash and cash equivalents | | |
| September 30, 2016 | | |
| CIBC FirstCaribbean International Bank (not rated) | 8,294,962 | 547,719 |
| | 8,294,962 | 547,719 |
| September 30, 2015 | | |
| CIBC FirstCaribbean International Bank (not rated) | 3,790,326 | 426,856 |
| First Citizens Bank (Barbados) Limited (not rated) | – | 1,140,000 |
| | 3,790,326 | 1,566,856 |

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

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.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

| | 0 – 3 months \$ | 3 months to 1 year \$ | 1 - 5 years \$ | No stated maturity \$ | Total \$ |
|--|-----------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| Value Fund | | | | | |
| September 30, 2015 | | | | | |
| Assets | | | | | |
| Financial assets at fair value through profit or loss | – | – | – | 8,000 | 8,000 |
| Accounts receivable | 164,453 | 174,875 | – | – | 339,328 |
| Due from related parties | 96,447 | – | – | – | 96,447 |
| Cash and cash equivalents | 3,790,326 | – | – | – | 3,790,326 |
| Total financial assets | 4,051,226 | 174,875 | – | 8,000 | 4,234,101 |
| Liabilities | | | | | |
| Loans payable | – | 80,000 | 12,653,750 | – | 12,733,750 |
| Accounts payable and accrued expenses | 431,126 | – | – | – | 431,126 |
| Security and advance deposits | 116,849 | 101,509 | 142,216 | – | 360,574 |
| Total financial liabilities | 547,975 | 181,509 | 12,795,966 | – | 13,525,450 |

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

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Liquidity risk...continued

| | 0 - 3 months \$ | 3 months to 1 year \$ | 1 - 5 years \$ | No stated maturity \$ | Total \$ |
|---------------------------------------|-----------------------|-----------------------------|-------------------|-----------------------------|------------------|
| Development Fund | | | | | |
| September 30, 2016 | | | | | |
| Assets | | | | | |
| Accounts receivable | 68,914 | 226,880 | – | 91,426 | 387,220 |
| Due from related parties | – | 48,000 | – | – | 48,000 |
| Cash and cash equivalents | 547,719 | – | – | – | 547,719 |
| Total financial assets | 616,633 | 274,880 | – | 91,426 | 982,939 |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | 514,872 | 16,000 | – | – | 530,872 |
| Security and advance deposits | 251,972 | 6,690 | 6,600 | – | 265,262 |
| Due to related parties | 189,790 | – | – | – | 189,790 |
| Total financial liabilities | 956,634 | 22,690 | 6,600 | – | 985,924 |
| September 30, 2015 | | | | | |
| Assets | | | | | |
| Accounts receivable | 61,121 | 345,085 | – | 10,000 | 416,206 |
| Due from related parties | – | 48,000 | – | – | 48,000 |
| Cash and cash equivalents | 1,570,229 | – | – | – | 1,570,229 |
| Total financial assets | 1,631,350 | 393,085 | – | 10,000 | 2,034,435 |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | 625,922 | 16,000 | – | – | 641,922 |
| Security and advance deposits | 1,166,417 | – | – | – | 1,166,417 |
| Due to related parties | 111,481 | – | – | – | 111,481 |
| Total financial liabilities | 1,903,820 | 16,000 | – | – | 1,919,820 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation

The fair value of financial assets traded in active markets. The quoted market price used for financial assets held by the Fund is the current 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).
- 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, 2016 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Value Fund | | | | |
| Listed equity securities | — | 8,000 | — | 8,000 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation...continued

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|---------------|---------------|---------------|--------------|
| September 30, 2015 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Value Fund | | | | |
| Listed equity securities | — | 8,000 | — | 8,000 |

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

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

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

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

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at September 30, 2016 but for which fair value is disclosed.

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------------------|----------------|---------------|------------------|
| September 30, 2016 | | | | |
| Value Fund | | | | |
| Assets | | | | |
| Accounts receivable and prepaid expenses | — | 553,370 | — | 553,370 |
| Due from related parties | — | 189,790 | — | 189,790 |
| Cash and cash equivalents | 8,294,962 | — | — | 8,294,962 |
| Total | 8,294,962 | 743,160 | — | 9,038,122 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation...continued

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation...continued

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

| | Level 1 | Level 2 | Level 3 | Total |
|--|------------------|-------------------|----------|-------------------|
| | \$ | \$ | \$ | \$ |
| September 30, 2015 | | | | |
| Value Fund | | | | |
| Assets | | | | |
| Accounts receivable and prepaid expenses | – | 385,345 | – | 385,345 |
| Due from related parties | – | 96,447 | – | 96,447 |
| Cash and cash equivalents | 3,790,326 | – | – | 3,790,326 |
| Total | 3,790,326 | 481,792 | – | 4,272,118 |
| Liabilities | | | | |
| Loans payable | – | 10,580,000 | – | 10,580,000 |
| Accounts payable and accrued expenses | – | 431,126 | – | 431,126 |
| Security and advance deposits | – | 360,574 | – | 360,574 |
| Total | – | 11,371,700 | – | 11,371,700 |
| Development Fund | | | | |
| Assets | | | | |
| Accounts receivable and prepaid expenses | – | 472,466 | – | 472,466 |
| Due from related parties | – | 48,000 | – | 48,000 |
| Cash and cash equivalents | 1,566,856 | – | – | 1,566,856 |
| Total | 1,566,856 | 520,466 | – | 2,087,322 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | – | 641,922 | – | 641,922 |
| Security and advance deposits | – | 1,163,044 | – | 1,163,044 |
| Due to related parties | – | 111,481 | – | 111,481 |
| Total | – | 1,916,447 | – | 1,916,447 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

4 Financial risk management...continued

Fair value estimation...continued

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

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

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

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

Capital risk management

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

5 Investment properties

An independent valuation of the Value Fund's investment properties was performed by valuers to determine the fair value of the investment properties as at September 30, 2016. The fair value gains/losses recognised has been recorded in the consolidated statement of comprehensive income.

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

5 Investment properties...continued

| | Fair value hierarchy/ level | Fair value b/fwd \$ | Additions/ (Disposals) \$ | Fair value (losses)/gains \$ | Fair value c/fwd \$ |
|---------------------|-----------------------------------|---------------------------|---------------------------------|-------------------------------------|---------------------------|
| Value Fund | | | | | |
| The CWBET Building | 3 | 24,700,000 | – | (8,200,000) | 16,500,000 |
| Carlisle House | 3 | 11,000,000 | – | (750,000) | 10,250,000 |
| No. 24 Broad Street | 3 | 8,500,000 | 145,171 | 104,829 | 8,750,000 |
| The Chattel Village | 3 | 1,175,000 | – | 25,000 | 1,200,000 |
| | | 45,375,000 | 145,171 | (8,820,171) | 36,700,000 |

During the year the investment properties with the exception of the CWBET building were appraised by an independent valuer at \$20,200,000 (2015- \$45,375,000). The CWBET building is currently under contract and has been valued at the agreed selling price. The decrease of these current valuations over the previous valuations amounting to \$8,820,171 (2015- \$7,395,000) has been recorded as fair value losses in the consolidated statement of comprehensive income.

On June 14, 2016 the BET joint venture entered into a contract to sell the CWBET building for a price of \$16,500,000. As of September 30, 2016 negotiations with a potential buyer for the sale of the CWBET Building were at an advance stage. The transaction was completed on December 1, 2016. Selling costs with respect to this sale have been provided for in the consolidated statement of income amounting to \$1,755,500.

Valuations are performed as at August 31, 2016 by professional independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements. Due to the nature of the process, valuations may differ between professional valuers.

Valuation techniques used to derive level 3 fair values

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

5 Investment properties...continued

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

- Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life;
- Capitalisation rates based on actual location, size and quality of the properties and taking into account market data at the valuation date;
- Terminal value taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

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

| Description | Valuation \$ | Valuation technique | Level 3- Range of unobservable inputs | |
|---------------------------|-----------------|-------------------------------------|--|--|
| | | | Long- term net operating income margin | Capitalisation rate for terminal value |
| September 30, 2016 | | | | |
| The CWBET Building | 16,500,000 | Sales data Discounted cash flows | — | — |
| Carlisle House | 10,250,000 | and sales comparison | 60% | 10.5% |
| No. 24 Broad Street | 8,750,000 | Discounted cash flows | 95% | 9.5% |
| The Chattel Village | 1,200,000 | Discounted cash flows | 31% | — |
| September 30, 2015 | | | | |
| The CWBET Building | 24,700,000 | Discounted cash flows | 65% | 10.5% |
| Carlisle House | 11,000,000 | Discounted cash flows | 58% | 10.5% |
| No. 24 Broad Street | 8,500,000 | Discounted cash flows | 92% | 9.5% |
| The Chattel Village | 1,175,000 | Discounted cash flows | 30% | — |

Valuation processes

The Fund's investment properties were valued at March 31, 2016 and August 31, 2016 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

5 Investment properties...continued

At each financial year end the valuation team:

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

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

6 Real estate available for re-sale

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

| | Value at b/fwd \$ | Additions/ (disposals) \$ | Impairment gains/(losses) \$ | Value c/fwd \$ |
|---|-------------------------|---------------------------------|------------------------------------|----------------------|
| Development Fund | | | | |
| Developed properties: | | | | |
| Villas on the Green villas | 3,716,515 | (586,960) | (43,641) | 3,085,914 |
| Lime Grove Hillside Villa | 1,150,000 | — | — | 1,150,000 |
| Apes Hill Polo Villa | 1,302,710 | — | (15,178) | 1,287,532 |
| Land and properties under development: | | | | |
| Wotton lands | 5,520,000 | — | — | 5,520,000 |
| Rockley- Cane Gardens lands | 1,840,000 | — | (115,000) | 1,725,000 |
| Holdings land | 1,380,000 | — | — | 1,380,000 |
| Rockley- Central area lands | 1,035,000 | — | — | 1,035,000 |
| Villas on the Green lands | 2,567,950 | — | (183,425) | 2,384,525 |
| Apes Hill land | 874,000 | — | (69,000) | 805,000 |
| Lion Castle land | 782,000 | — | (55,200) | 726,800 |
| | 20,168,175 | (586,960) | (481,444) | 19,099,771 |

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 \$481,444 (2015- \$720,987) being recognised.

Valuations performed by professional valuers are utilised in the process of determining the net realisable value of the real estate available for re-sale. Due to the nature of the valuation process, valuations may differ between professional valuers. The effect on net income of an across the board 10% depreciation in the net realisable value of the Fund's real estate available for re-sale would amount to \$1,909,977 (2015- \$2,016,817).

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

7 Investment in subsidiaries

The Fund has the following subsidiaries at September 30, 2016:

| 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 year is \$9,471,755 (2015- \$11,261,638), which is for the BET Joint Venture.

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

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

7 Investment in subsidiaries...continued

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised statement of financial position:

| | The BET Building Joint Venture | |
|---------------------------------|---------------------------------------|-------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Current | | |
| Assets | 7,456,456 | 1,605,278 |
| Liabilities | (1,929,120) | (115,423) |
| Total current net assets | 5,527,336 | 1,489,855 |
| Non-current | | |
| Assets | 16,500,000 | 24,700,000 |
| Total non-current assets | 16,500,000 | 24,700,000 |
| Net assets | 22,027,336 | 26,189,855 |

Summarised statement of comprehensive income:

| | The BET Building Joint Venture | |
|--|---------------------------------------|--------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Revenue | (1,707,596) | (1,808,871) |
| Expenses | (2,454,923) | (183,677) |
| Total comprehensive income for the year | (4,162,519) | (1,992,548) |
| Total comprehensive income allocated to non-controlling interests | (1,789,883) | (856,795) |
| Distributions paid to non-controlling interests | – | 1,935,000 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

7 Investment in subsidiaries...continued

Summarised cash flows:

| | The BET Building Joint Venture | |
|--|---------------------------------------|------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Cash flows from operating activities: | | |
| Cash generated from operating activities | 5,646,349 | 5,334,301 |
| Net cash used in financing activities | – | (4,500,000) |
| Net increase in cash and cash equivalents | 5,646,349 | 834,301 |
| Cash and cash equivalents - beginning of year | 1,605,278 | 770,977 |
| Cash and cash equivalents - end of year | 7,251,627 | 1,605,278 |

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

8 Investments in associated companies and joint arrangements

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

| | Value Fund | Development Fund |
|---|-------------------|-------------------------|
| | \$ | \$ |
| September 30, 2016 | | |
| Associates | – | 3,150,358 |
| Joint ventures | 19,778,505 | 1,713,688 |
| | 19,778,505 | 4,864,046 |
| The amounts recognised in the statement of comprehensive income are as follows: | | |
| Associates | – | (9,695) |
| Joint ventures | 3,079,283 | (20,166) |
| | 3,079,283 | (29,861) |
| September 30, 2015 | | |
| Associates | – | 3,160,053 |
| Joint ventures | 16,699,222 | 1,733,854 |
| | 16,699,222 | 4,893,907 |
| The amounts recognised in the statement of comprehensive income are as follows: | | |
| Associates | – | (15,649) |
| Joint ventures | 1,700,126 | (2,483) |
| | 1,700,126 | (18,132) |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

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

i) Investment in associates

Set out below are the associates of the group as at September 30, 2016, which, in the opinion of the directors, are material to the group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Fund.

The nature of investment in associates:

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

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

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

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

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

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

ii) Investment in joint ventures

| | 2016 \$ | 2015 \$ |
|-------------------------|-------------------|-------------------|
| Value Fund | | |
| At October 1 | 16,699,222 | 14,999,096 |
| Share of profit | 3,079,283 | 1,700,126 |
| | <u>19,778,505</u> | <u>16,699,222</u> |
| At September 30 | | |
| Development Fund | | |
| At October 1 | 1,733,854 | 1,736,337 |
| Share of loss | (20,166) | (2,483) |
| | <u>1,713,688</u> | <u>1,733,854</u> |
| At September 30 | | |

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

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.

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

| | The Sunset Joint Venture \$ | The CS&C Joint Venture \$ |
|--|-----------------------------------|---------------------------------|
| September 30, 2015 | | |
| Assets | | |
| Investment properties | 9,800,000 | 65,353,903 |
| Real estate available for re-sale | – | 7,501,157 |
| Investments | – | 377,227 |
| Accounts receivable and prepaid expenses | 10,592 | 286,713 |
| Cash and cash equivalents | 564,855 | 381,220 |
| | 10,375,447 | 73,900,220 |
| Liabilities | | |
| Loans payable | 2,030,545 | 5,056,020 |
| Accounts payable and accrued expenses | 94,220 | 290,400 |
| | 2,124,765 | 5,346,420 |
| Total assets less liabilities | 8,250,682 | 68,553,800 |

The loans payable in the CS&C Joint Venture include \$2,138,012 (2015- \$4,855,012) due to RBTT Merchant Bank Limited and are 10 years and 12 years non callable mortgage bonds secured by a first mortgage over the properties acquired, stamped to cover \$34,500,000. Also included is \$4,436,306 (2015-nil) payable to the Sunset Joint Venture. The loan is subordinated to the RBTT Merchant Bank loan but is subject to the terms and conditions of the credit facility between the RBC Royal Bank (Barbados) Ltd and the Sunset Joint Venture.

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

Summarised statement of comprehensive income:

| | The Sunset Joint Venture \$ | The CS&C Joint Venture \$ |
|---|-----------------------------------|---------------------------------|
| September 30, 2016 | | |
| Revenue | | |
| Net rental income | 1,115,238 | 6,372,334 |
| Fair value gains on investment property | 450,000 | 6,347,854 |
| Net gain on financial assets at fair value through profit or loss | – | 12,629 |
| Interest income | 56,550 | 9,485 |
| | 1,621,788 | 12,742,302 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

| | The Sunset Joint Venture \$ | The CS&C Joint Venture \$ |
|---|-----------------------------------|---------------------------------|
| September 30, 2016 | | |
| Expenses | | |
| Provision for selling costs of property | – | 990,000 |
| Interest expense | 150,272 | 314,371 |
| Net carrying costs of real estate available for re-sale | – | 84,027 |
| Professional fees | 16,080 | 26,000 |
| Other operating expenses | 416 | 36,605 |
| | <hr/> | <hr/> |
| Operating expenditure | 166,768 | 1,451,003 |
| | <hr/> | <hr/> |
| Total comprehensive income for the year | 1,455,020 | 11,291,299 |
| | <hr/> | <hr/> |
| September 30, 2015 | | |
| Revenue | | |
| Net rental income | 1,092,915 | 5,814,147 |
| Fair value gains on investment property | – | 847,676 |
| Net gain on financial assets at fair value through profit or loss | – | 2,424 |
| Net gain on sale of real estate available for re-sale | – | 96,275 |
| | <hr/> | <hr/> |
| Total investment income | 1,092,915 | 6,760,522 |
| | <hr/> | <hr/> |
| Expenses | | |
| Interest expense | 174,950 | 421,551 |
| Net carrying costs of real estate available for re-sale | – | 106,617 |
| Professional fees | 16,080 | 24,000 |
| Other operating expenses | 285 | 36,442 |
| | <hr/> | <hr/> |
| Operating expenditure | 191,315 | 588,610 |
| | <hr/> | <hr/> |
| Total comprehensive income for the year | 901,600 | 6,171,912 |
| | <hr/> | <hr/> |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

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

ii) Investment in joint ventures...continued

Reconciliation of summarised financial information

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

| | The Sunset Joint Venture \$ | The CS&C Joint Venture \$ |
|--|-----------------------------------|---------------------------------|
| Summarised financial information | | |
| Opening net assets October 1, 2015 | 8,250,682 | 68,553,800 |
| Profit for the year | 1,455,020 | 11,291,299 |
| Closing net assets September 30, 2016 | 9,705,702 | 79,845,099 |
| Interest in joint venture | 24% | 24% |
| Carrying value | 2,329,369 | 19,162,824 |
| | | |
| Opening net assets October 1, 2014 | 7,349,082 | 62,381,888 |
| Profit for the year | 901,600 | 6,171,912 |
| Closing net assets September 30, 2015 | 8,250,682 | 68,553,800 |
| Interest in joint venture | 24% | 24% |
| Carrying value | 1,980,164 | 16,452,912 |

iii) Investment in joint operations

Nature of investment in joint operations

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

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

iii) Investment in joint operations ...continued

Nature of investment in joint operations

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

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

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

| | Assets \$ | Liabilities \$ | Revenues \$ | Profit/(Loss) \$ | %Interest held |
|--------------------|--------------|-------------------|----------------|---------------------|-------------------|
| September 30, 2016 | 1,037,536 | 270,384 | 45,613 | 4,833 | 50% |
| September 30, 2015 | 1,079,613 | 323,471 | 13,328 | (16,344) | 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:

| | 2016 | | 2015 | |
|--|--------------|--------------------|--------------|--------------------|
| | Cost \$ | Market value \$ | Cost \$ | Market value \$ |
| Value Fund | | | | |
| Listed on Caribbean stock exchanges and markets | 2,006 | 8,000 | 2,006 | 8,000 |
| Total financial assets at fair value through profit or loss | 2,006 | 8,000 | 2,006 | 8,000 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(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:

| | 2016 \$ | 2015 \$ |
|---|------------|--------------|
| Value Fund | | |
| Unrealised gain | — | — |
| Net gain on financial assets at fair value through profit or loss | — | — |
| Development Fund | | |
| Realised gain | — | 8,583 |
| Unrealised gain | — | — |
| Net gain on financial assets at fair value through profit or loss | — | 8,583 |

10 Cash and cash equivalents

| | Value Fund | | Development Fund | |
|---------------------------|------------------|------------------|------------------|------------------|
| | 2016 \$ | 2015 \$ | 2016 \$ | 2015 \$ |
| Cash at bank | 8,294,962 | 3,790,326 | 547,719 | 1,566,856 |
| Cash and cash equivalents | 8,294,962 | 3,790,326 | 547,719 | 1,566,856 |

Cash and cash equivalents are placed with leading regional commercial banks. The effective yield on cash and cash equivalents is nil (2015- nil).

11 Accounts receivable and prepaid expenses

| | Value Fund | | Development Fund | |
|--|----------------|------------|------------------|------------|
| | 2016 \$ | 2015 \$ | 2016 \$ | 2015 \$ |
| Rent receivable from tenants | 309,085 | 351,335 | — | — |
| Other receivables | 294,596 | 175,395 | 387,220 | 475,863 |
| Less: provision for impairment of receivables | (190,486) | (187,402) | — | (59,657) |
| | 413,195 | 339,328 | 387,220 | 416,206 |
| Prepaid expenses | 140,175 | 46,017 | 77,115 | 56,260 |
| Accounts receivables, net of provision for impairment | 553,370 | 385,345 | 464,335 | 472,466 |

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

11 Accounts receivable and prepaid expenses...continued

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, 2016, within the Value Fund accounts receivables of \$240,362 (2015- \$175,012) were past due but not impaired and accounts receivable of \$190,486 (2015- \$187,402) were past due and impaired. The individually impaired receivables are over three months past due and mainly relate to certain tenants of commercial buildings. A provision is recognised for amounts not expected to be recovered. The Value Fund has recognised a loss of \$3,086 (2015- \$24,200) relating to the impairment of its receivables and the total provision amounted to \$190,486 (2015- \$187,402).

As of September 30, 2016, within the Development Fund accounts receivables of \$226,880 (2015-\$345,086) were past due but not impaired and accounts receivable of \$nil (2015- \$59,657) were past due and impaired. A provision is recognised for amounts not expected to be recovered. The Development Fund has recognised a recovery of \$59,657 (2015- \$10,000) relating to the impairment of its receivables and the total provision amounted to \$nil (2015- \$59,657).

12 Accounts payable and accrued expenses

| | Value Fund | | Development Fund | |
|------------------|------------------|----------------|------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Accounts payable | 441,737 | 279,711 | 496,916 | 591,799 |
| Accrued expenses | 1,862,791 | 151,415 | 33,956 | 50,123 |
| | 2,304,528 | 431,126 | 530,872 | 641,922 |

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

As at September 30, 2016, included in the Value Fund accrued expenses are selling costs of \$1,755,500 related to the impending sale of the CWBET building.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

13 Loans payable

| | Value Fund | |
|-----------------|-------------------|-------------------|
| | 2016 | 2015 |
| | \$ | \$ |
| Bond payable | | |
| Series 1 – 2018 | 3,020,000 | 3,020,000 |
| Series 2 – 2019 | 3,022,500 | 3,022,500 |
| Series 3 – 2020 | 4,537,500 | 4,537,500 |
| | 10,580,000 | 10,580,000 |

The current portion due of loans payable amounts to \$80,000 (2015-\$80,000) for the Value Fund.

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

14 Dividends per share

A dividend of \$0.030 (2015- \$0.035) per share was declared during the financial year and paid on December 31, 2015 for the Value Fund. This amounted to a dividend totaling \$1,669,583 (2015- \$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 \$1,895,195 (2015- \$1,431,203) 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 \$196,604 (2015- \$164,085) which comprise of property, administrative and other holding costs and is shown net of \$106,028 (2015- \$156,418) of rental income. During the year one unit was sold for net proceeds of \$513,388 (2015- \$838,247), generating a loss of \$73,572 (2015- \$78,879).

The carrying costs also include \$126,647 (2015- \$135,405) in property administration and other holding costs from other available for re-sale properties.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

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 \$324,458 (2015-\$340,886) and \$103,964 (2015-\$121,399) by the Value Fund and the Development Fund respectively.

During the year, investment advisor fees were paid to Altman Real Estate amounting to \$324,458 (2015-\$340,886) and \$103,964 (2015-\$121,399) by the Value Fund and the Development Fund, respectively.

Management fees of nil (2015- \$1,955) 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.

Consultancy fees of \$9,960 (2015-nil) was refunded to the Value Fund by Altman Real Estate in respect to the Fund's share of costs charged to joint venturers. This is to avoid double charging.

Included in the loans payable is \$1,500,000 (2015- \$1,200,000) due to Fortress Caribbean High Interest Fund for the Series 1 bond payable which bears interest at a rate of 4% (2015- 4% per annum), \$300,000 (2015-\$300,000) for the Series 2 bond payable which bears interest at a rate of 4.5% (2015- 4.5%) per annum and \$2,100,000 (2015- \$1,800,000) for the Series 3 bond payable which bears interest at a rate of 5% (2015- 5%) per annum. Interest expense of \$158,250 (2015- \$22,000) relating to these loans were recognised in the consolidated statement of comprehensive income.

The amount due from related parties in the Value Fund of \$189,790 (2015- \$96,447) are due from the Development Fund. This amount is interest free and is repayable on demand.

Included in net rental income of the Value Fund is an amount of \$1,112,813 (2015- \$1,086,284) earned from affiliated companies.

Included in the accounts payable of the Value Fund is nil (2015- \$37,417) due to Fortress Fund Managers Limited. Included in the accounts payable of the Development Fund is \$128,860 (2015- \$25,046) due to Fortress Fund Managers Limited.

During the year, commissions of \$nil (2015- \$6,767) were charged on property rentals and paid to Altman Real Estate and its subsidiaries by the Value Fund.

The amount due from related parties of the Development Fund is \$48,000 (2015- \$48,000) due from the CS&C Joint Venture. The loan carried interest at a rate prime less 2%. At September 30, 2016 interest rate on the loan was 6.05%. The loan is repayable from the net sales proceeds on the sale of the lands at Lower Estate.

Included in the accounts payable is \$nil (2015- \$5,069) and \$1,014 (2015- \$21,075) due to Altman Real Estate and its subsidiaries by the Value Fund and the Development Fund respectively.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

17 Related party transactions...continued

Property management fees of \$87,000 (2015- \$87,000) and \$7,200 (2015- \$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.

Directors and subcommittee fees of \$29,437 (2015- \$28,527) and \$16,558 (2015- \$17,485) were paid during the year by the Value Fund and the Development Fund respectively. Directors' interest (including beneficial interests) in the segregated cellular shares are as follows:

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

Related party interests in cellular shares are as follows:

| | Number of shares | | | |
|--|--------------------|-----------|--------------------------|-----------|
| | Value Fund 2016 | 2015 | Development Fund 2016 | 2015 |
| Fortress Caribbean Pension Fund Limited | 7,279,495 | 7,229,491 | 3,350,227 | 3,350,277 |
| Fortress Mutual Fund Limited | 1,964,171 | 1,964,171 | 1,964,171 | 1,964,171 |
| Fortress Caribbean High Interest Limited | 883,690 | 883,690 | — | — |

18 Share capital

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

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

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

18 Share capital...continued

During the year the Development Fund repurchased nil (2015- 450,127) fund shares for a total consideration of \$nil (2015- \$107,225).

| | 2016 | | 2015 | |
|---|---------------------|-------------------|---------------------|------------|
| | Number of shares | \$ | Number of shares | \$ |
| Value Fund Shares | | | | |
| Authorised | | | | |
| An unlimited number of cellular shares of no par value | | | | |
| Issued and outstanding | 55,652,768 | 37,209,540 | 55,652,768 | 37,209,540 |
| Development Fund Shares | | | | |
| Authorised | | | | |
| An unlimited number of cellular shares of no par value | | | | |
| Balance- beginning of the year | 54,549,676 | 28,731,519 | 54,999,803 | 28,968,603 |
| Less treasury shares | – | – | (450,127) | (237,084) |
| Balance- end of the year | 54,549,676 | 28,731,519 | 54,549,676 | 28,731,519 |

The Fund is authorised to issue 100 common shares and an unlimited number of cellular shares divided into the Value Fund and the Development Fund cells. At September 30, 2016, 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.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

18 Share capital...continued

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

The Development Fund shares

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

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

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

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.

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

19 Earnings per share and net asset value...continued

Basic and diluted earnings per share are calculated as follows:

| | Value Fund | | Development Fund | |
|---|-------------------|------------|--------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Comprehensive income/(loss) attributable to shareholders | 769,873 | 976,338 | (1,195,010) | (1,533,488) |
| Weighted average number of Class "A" shares in issue | 55,652,768 | 55,652,768 | 54,549,676 | 54,549,676 |
| Basic and diluted earnings per share | 0.01 | 0.02 | (0.02) | (0.03) |
| Net asset value | 42,821,292 | 43,721,002 | 24,037,947 | 25,232,957 |
| Net asset value per share | 0.77 | 0.79 | 0.44 | 0.46 |

20 Commitments

Operating lease commitments - where the Value Fund is the lessee

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

| | 2016 | 2015 |
|--|----------------|---------|
| | \$ | \$ |
| Value Fund | | |
| Not later than 1 year | 138,600 | 138,600 |
| Later than 1 year and not later than 5 years | 608,107 | 587,895 |
| Later than 5 years | 802,194 | 979,454 |

Operating lease commitments - where the Value Fund is the lessor

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

| | 2016 | 2015 |
|--|------------------|-----------|
| | \$ | \$ |
| Value Fund | | |
| Not later than 1 year | 1,643,650 | 2,492,274 |
| Later than 1 year and not later than 5 years | 5,517,831 | 2,163,906 |
| 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:

Fortress Caribbean Property Fund Limited SCC

Notes to the Consolidated Financial Statements

September 30, 2016

(expressed in Barbados dollars)

20 Commitments...continued

| | 2016 | 2015 |
|--|------------------|-----------|
| | \$ | \$ |
| Value Fund | | |
| Not later than 1 year | 647,727 | 1,525,157 |
| Later than 1 year and not later than 5 years | 1,345,132 | 1,253,064 |
| Later than 5 years | — | — |

21 Subsequent events

A dividend of \$0.035 per share was declared subsequent to the financial year and is payable on December 30, 2016 for the Value Fund. This amounts to a dividend totaling \$1,947,843.

Subsequent to year end, the CS&C joint venture entered into an agreement to sell the three Carters properties for \$22,000,000. As at September 30, 2016, the properties have been valued at the agreed selling price, with a fair value gain of \$3,400,000 being recognised in the statement of income of the joint venture. The Value Fund's share of this gain is \$816,000. The signing of the sales agreement as well as payment of the required deposit was completed on December 9, 2016. Selling costs amounting to \$990,000 with respect to this sale have been provided for in the statement of income of the joint venture.



FORTRESS FUND MANAGERS LIMITED
FIRST FLOOR, CARLISLE HOUSE, HINCKS STREET, BRIDGETOWN, BB11144, BARBADOS
TEL: (246) 431-2198 FAX: (246) 431-0514 • invest@fortressfund.com • www.fortressfund.com