

The Fortress Caribbean Property Fund has produced net income of \$2.073 million for the six months ended March 31st 2008 compared to \$2.097 million in the corresponding period in 2007.

The total net assets of the Fund have increased by 5% to \$81.9 million. The Fund's net asset value per share has increased from \$1.40 at the end March 2007 to \$1.47 at the end of March this year, after having paid a dividend in October of \$0.06 per share. This equates to a return of 9.3% over the twelve month period inclusive of the dividend.

**Villas On The Green - St. Lucia**

The construction of the 1st phase of the Villas On The Green Development was completed at the end of 2007 and to date seven of the 20 units have been sold. Profits of \$600K on four of those sales being recorded in this reporting period and the remaining gains on the other three sales will be recorded in the second half of this financial year. The declines in the real estate market in the United States have had an impact on the purchases of second home vacation properties. While we accept that softer market conditions will result in slower absorption rates, we still believe that the underlying fundamentals of St. Lucia in general and this development in particular, are sound and that the remaining units will sell over the next two years.

**Tobago Plantations (TPL) - Tobago**

The construction of this three bedroom villa is almost complete although many months late due to construction delays at TPL. The T&T government has recently taken over the full ownership of this development and hopefully a renewed thrust will bring this project to its full potential. At the time of writing we have expressions of interest from two potential buyers and hopefully an agreement can be reached for sale of the Villa in the second half of this year.

**Limegrove - Barbados**

Construction has commenced on this most exciting and leading edge "life-style" development centre. Early

indications suggest tremendous interest from several of the world's leading brand names in placing specialty stores there and expectations are that this will really be a "one-of-a-kind" development on the west coast of Barbados. Our equity has been converted into a deposit on a unit in the development and based on the pricing, the Fund should realize an attractive profit on this investment when the development advances.

**Commercial Properties**

The Fund's commercial property investments including the BET Building Joint Venture, The CS&C Joint Venture, Carlisle House, No 24 Broad Street and the Chattel Village are all performing well and in line with expectations. The rental income from these investments provides steady revenue and cash flow for the Fund. An agreement has been reached to add an additional commercial property on the west coast of Barbados to The CS&C Joint Venture.

**Detco Building - Bay Street, Barbados**

The Fund has made a commitment to purchase the Detco building on Bay Street subject to vacant possession. This property offers tremendous re-development opportunity which we hope can coincide with the Pierhead Project.

**Water Hall - Barbados**

During the period, the Fund completed the purchase of a condominium unit at Water Hall and it is currently being furnished. We expect to rent this unit for a few years until the Apes Hill Golf Course is opened at which time an uplift in value should be available.

**Coral Cove - Barbados**

During the last quarter, the Fund made a joint venture investment in a completed penthouse unit at Coral Cove on a discounted basis. The intention is to sell the unit in the coming winter season.

**Canmore - Alberta, Canada**

We continue to rent this unit on a short term basis. The economic boom in Calgary created by the energy sector continues with strong demand for quality vacation properties like this unit. We believe that there is further upside on this unit.

**Looking Forward - Rockley "Cane Garden" - Barbados**

The second phase of our Rockley joint venture project with Dowding Estates involves the construction of 26 units at the entrance to Rockley which is now called Cane Garden. The pre-sales for this project commenced in April of this year and have gone exceptionally well so far with 17 of the units having been pre-sold. An agreement has been reached with a local construction firm for the development of the site and this project is set to begin on June 1st subject to final town planning approval.

**Sales / Fair Value Gains**

The Fund has recorded gains on sales of property of \$600K in the period. Based on the appraised values of the properties by Terra Caribbean, fair value gains of \$15K were recorded compared to \$633K in the prior period, which was primarily a result of the reduction in the property transfer tax rate.

**Surplus Cash & Outlook**

As at March 31st, the Fund's surplus cash and cash equivalents had decreased to BDS \$6.4M from BDS \$8.6M a year ago. We expect to receive the proceeds from several sales during the second half of the financial year which will be used to reduce debt on existing projects.

The correction in the housing market in the United States has been severe and continues with residential house prices and new starts still on the decline and foreclosures on the increase. Similar developments are now being reported in the United Kingdom but it is still early yet. The Caribbean has witnessed some softness on sales and while there has been the odd distressed sale, prices in general are holding. The weak US dollar against sterling and the euro is still very much in the region's favour and hence we expect continued growth in the real estate market albeit at a slower pace.

At March 31st the Fund was trading at \$1.50 per share which is a small premium to the Net Asset Value (NAV) of \$1.47 per share.



Tobago Plantations



Apes Hill



Coral Cove



No.24 Broad Street



Cable & Wireless Property



Canmore Villas

**FUND DETAILS DIRECTORS**

- Mr. Geoffrey Cave - Chairman
- Mr. Paul Altman
- Mr. Anthony Audain
- Dr. Trevor Carmichael
- Mrs. Maureen Davis
- Mr. Terry Hanton
- Mr. John Williams

**FUND MANAGER**

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**INDEPENDENT AUDITORS**

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## UNAUDITED CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

(expressed in Barbados Dollars)

	31/03/08	31/03/07
<b>ASSETS</b>		
Cash and cash equivalents	3,214,662	2,560,642
Financial asset at fair value through profit or loss	3,173,294	6,067,860
Other Current Assets	707,182	539,540
Real estate available-for-sale	32,147,822	29,587,066
Investment Property	81,488,862	76,131,000
<b>Total Assets</b>	<b>120,731,822</b>	<b>114,886,108</b>
<b>LIABILITIES &amp; EQUITY</b>		
Current Liabilities	(6,956,818)	(4,305,686)
Long term debt	(19,291,566)	(21,338,991)
Total Liabilities	(26,248,384)	(25,644,677)
<b>Total Assets less liabilities</b>	<b>94,483,438</b>	<b>89,241,431</b>
<b>CAPITAL &amp; RESERVES</b>		
Share Capital	(66,718,500)	(66,718,500)
Retained Earnings	(15,206,318)	(11,274,189)
<b>Total Equity</b>	<b>(81,924,818)</b>	<b>(77,992,689)</b>
Minority Interest	(12,558,620)	(11,248,742)
<b>Total Equity and Minority Interest</b>	<b>(94,483,438)</b>	<b>(89,241,431)</b>

## UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTH PERIOD ENDING MARCH 31, 2008

(expressed in Barbados Dollars)

	Unaudited Six Months To 31/03/08	Unaudited Six Months To 31/03/07
<b>REVENUES</b>		
Net Rental Income	3,409,005	3,412,140
Fair value gains	15,417	633,482
Net gain on sale of property	600,542	-
Gain on financial assets at fair value through profit or loss	139,659	131,466
Interest Income	29,651	45,941
Other income	26,366	41,546
<b>Total Revenue</b>	<b>4,220,640</b>	<b>4,264,575</b>
<b>EXPENSES</b>		
Interest Expense	651,916	762,590
Fund Management & Advisor Fees	604,540	573,550
Impairment loss on real estate available for re-sale	-	15,761
Professional & Other Fees	157,500	166,727
Office & Admin Expenses	9,926	12,804
Directors Fees	6,000	7,000
<b>Total Expenses</b>	<b>1,429,882</b>	<b>1,538,432</b>
<b>Net Income before minority interest</b>	<b>2,790,758</b>	<b>2,726,143</b>
Minority Interest	(717,599)	(629,348)
<b>Net Income</b>	<b>2,073,159</b>	<b>2,096,795</b>
<b>Earnings Per Share - Basic</b>	<b>\$0.04</b>	<b>\$0.04</b>

## FUND DETAILS (Bds\$)

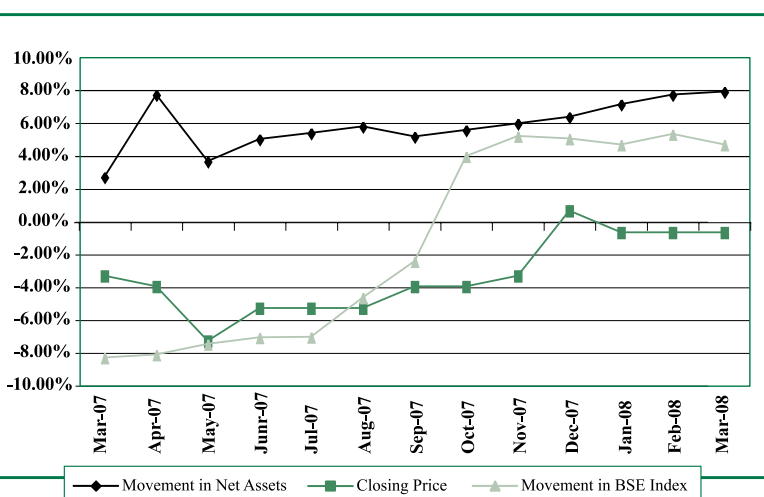
	31/03/08	31/03/07
<b>PER SHARE DATA</b>		
Original Share offer price - 20/08/1999	\$1.00	\$1.00
Secondary share offer price - 15/10/2001	\$1.20	\$1.20
Rights issue share offer price-10/03/ 2005	\$1.40	\$1.40
Net Asset Value per share	\$1.47	\$1.36
Number of shares	55,817,102	55,817,102

## EXPENSES

Fund Manager	0.75% per annum of the net assets of the Fund
Investment Manager	0.75% per annum of the net assets of the Fund
Exchange Listings	Barbados Stock Exchange and Trinidad & Tobago Stock Exchange
Manager	Fortress Fund Managers Ltd.
Investment Advisor	Altman Real Estate Ltd.
Property Manager	Property Consultancy Services Inc.
Independent Valuer	Terra Caribbean

## MOVEMENT IN TOTAL ASSETS, NAV (excluding dividends), CLOSING SHARE PRICE & PREMIUM/DISCOUNT

Date	Net Assets	Net Asset Value/Share	Closing share price	Premium/Discount	BSE Index
31-Jan	\$76,810,906	\$1.38	\$1.40	1.74%	3,788.49
28-Feb	\$77,080,698	\$1.38	\$1.45	5.00%	3,641.72
31-Mar	\$77,992,689	\$1.40	\$1.46	4.49%	3,597.40
30-Apr	\$81,791,094	\$1.47	\$1.45	-1.05%	3,605.28
31-May	\$78,705,925	\$1.41	\$1.40	-0.71%	3,630.30
30-Jun	\$79,725,739	\$1.43	\$1.43	0.12%	3,646.30
31-Jul	\$80,027,324	\$1.43	\$1.43	-0.26%	3,647.44
31-Aug	\$80,326,851	\$1.44	\$1.43	-0.63%	3,742.39
30-Sep	\$79,851,659	\$1.43	\$1.45	1.36%	3,829.13
31-Oct	\$80,162,535	\$1.44	\$1.45	0.96%	4,080.20
30-Nov	\$80,456,660	\$1.44	\$1.46	1.29%	4,128.65
31-Dec	\$80,758,818	\$1.45	\$1.52	5.06%	4,123.07
31-Jan	\$81,343,273	\$1.46	\$1.50	2.93%	4,108.18
29-Feb	\$81,791,094	\$1.47	\$1.50	2.37%	4,133.11
31-Mar	\$81,924,817	\$1.47	\$1.50	2.20%	4,108.63



## INVESTMENT RETURNS (including dividends)

	3 months	6 months	1 year	3 year	5 year	Since inception
Share price	-1.3%	3.4%	6.8%	7.7%	36.2%	87.0%
NAV	1.4%	2.6%	9.3%	31.0%	40.1%	82.0%