

EPPLEY
L I M I T E D

EPPLEY
CARIBBEAN PROPERTY FUND
L I M I T E D S C C

VALUE FUND
FOURTH QUARTER 2020

COMPANY OVERVIEW

Fund name:	Eppley Caribbean Property Fund Limited SCC-Value Fund
Fund type:	Closed-end Fund
Eppley management control:	May 4, 2018
Stock exchange listings:	Barbados Stock Exchange (BSE) Jamaica Stock Exchange (JSE) Trinidad & Tobago Stock Exchange (TTSE)
Independent property appraisals:	Annually and Semi-Annually
Management fees:	1.5% of net assets
Financial year:	<u>September 30, 2020</u>
Net assets:	\$94,850,965
Net profit:	\$1,891,085
Shares outstanding:	136,998,472
Net asset value per share:	\$0.69
Share price:	\$0.56 (BSE) J\$50.00 (JSE)

CORPORATE INFORMATION

DIRECTORS

Nicholas A. Scott, Chairman
Paul B. Scott
Jeffrey Hall
Melanie Subratie
Sharon E. Donaldson
Roger Cave
Richard Luck
Damian Duncan

HEAD OFFICE

First Floor, Carlisle House
Hincks Street
Bridgetown, Barbados

FUND MANAGER

Eppley Fund Managers Limited

INDEPENDENT VALUERS

BCQS International
Property Consultancy Services
David Thwaites and Associates
NAI Jamaica Langford and Brown

ATTORNEYS

Clarke Gittens Farmer

BANKERS

CIBC First Caribbean International Bank
NCB Capital Markets

LETTER TO SHAREHOLDERS

FELLOW SHAREHOLDERS,

The Value Fund reported \$1.9 million in net earnings for the year ended September 30, 2020.

NOI attributable to shareholders, a key operating performance metric that measures the Fund's share of rental income less its operating expenses declined 21% to \$2.9 million. The decrease is mostly related to rent relief measures provided to tenants in Barbados whose businesses were directly impacted by a slowdown in tourism due to COVID 19.

FFO attributable to shareholders, the measure of the Fund's core operating profitability which includes interest income and expenses in addition to NOI, increased marginally to \$2.8 million. This reflects the Value Fund's lower debt and higher cash balances during the year.

The Value Fund recorded a net fair value loss on its investment properties in 2020 compared to a large gain in 2019. The most significant declines were related to our retail assets in Barbados. While the Value Fund mostly has long-term leases in place at these buildings, these declines reflect our outlook on the rental market for tourism-related retail assets in Barbados over the medium-term. These charges are recorded in our share of profits using equity accounting since the Value Fund owns minority stakes in the buildings most impacted.

Fortunately, the remainder of the Value Fund's portfolio has been remarkably resilient. Since taking control of the Fund, Eppley's strategy has been to scale and diversify its properties by geography and asset type. Our plan has been validated by recent developments. Our recently acquired portfolio of industrial and office properties continued to perform despite COVID 19, with some buildings increasing occupancy and operating cash flow during this period. All our Jamaican properties, including our Jamaican retail property, produced strong results underscoring the quality and durability of these assets. Consequently, we recorded fair value gains on our Jamaican portfolio and our Barbados industrial and office assets this year. These gains partially offset the reductions in our Barbados retail portfolio.

Despite our operating earnings being slightly higher this year, the difference between the large fair value gain recorded in 2019 and the net fair value loss we experienced this year led to an overall decline in our net earnings in 2020.

COVID 19 has created an unprecedented shock to the global economy. Tourism dependent countries in the Caribbean have been especially hard hit. We expect the impact of the pandemic to be prolonged and its ultimate consequences remain uncertain. This environment creates additional downside risks for the Value Fund. Nevertheless, these risks are mitigated by our strong balance sheet. At the end of the year we had over \$23 million of cash. Additionally, most of our properties remain unencumbered. The Value Fund is well positioned to respond defensively to risks that materialize or conversely to go on offence and acquire properties on favorable terms when these opportunities emerge.

We expect the Value Fund's performance to improve in subsequent quarters. We recently acquired two large industrial assets in Jamaica, one of which was acquired shortly before our financial year-end and the other acquired thereafter. The additional income from these new acquisitions will be reflected going forward. Rent relief measures will wane or stabilize. Finally, we expect to make additional acquisitions before the end of the calendar year.

In line with our previously disclosed share buyback policy, we continue to reserve the right to repurchase shares on the market should they trade at prices significantly below NAV per share.

In these turbulent times, the Value Fund offers investors the ability to own a diversified high-quality portfolio of tenanted commercial real estate around the region in a transparent form. Additionally, share buybacks provide liquidity to shareholders and complement our steady, reliable dividends.

In conclusion, the Value was impacted by COVID 19 in 2020. While our operating income was flat, the fair value of our Barbados retail portfolio declined. The performance of our regional industrial and office portfolio and our Jamaican assets underscored the durability and quality of these assets. Heading into next year, the Value Fund has a strong balance sheet and significant liquidity. We anticipate that its performance will improve due to acquisitions we've either just completed or expect to complete soon.

Sincerely,

A handwritten signature in black ink that reads "Nicholas A. Scott". The signature is written in a cursive style with a large initial 'N' and 'S'.

Nicholas A. Scott

VALUE FUND FINANCIAL PERFORMANCE

	SEPTEMBER-20	SEPTEMBER-19
NOI attributable to shareholders	2,882,487	3,639,075
Interest expense	(478,827)	(634,125)
Interest and other income	761,860	151,583
Net interest expense of investments accounted for using Equity Method	(408,684)	(451,353)
FFO attributable to shareholders	2,756,836	2,705,179
Fair value gains/(losses) on investment properties	3,410,549	2,019,150
Foreign exchange gains/(losses)	(201,410)	(1,565,676)
Net gain/(loss) on sale of investment property	-	-
Impairment (charge)/recovery for receivables	(57,676)	(76,317)
Non-cash charges of investments accounted for using the Equity Method	(3,854,400)	770,372
Taxation	(162,814)	(2,442)
Comprehensive income attributable to shareholders for the period	1,891,085	3,850,266

VALUE FUND PROPERTIES



Cave Shepherd Building
Bridgetown, Barbados



24 Broad Street
Bridgetown, Barbados



Emerald City Mall
Six Roads, Barbados



Empire Shopping Centre
Kingston, Jamaica



Angels Industrial Estate
St. Catherine, Jamaica



Alamac Warehouse
Fontabelle, Barbados



Sunset Mall
Sunset Crest, Barbados



227 Marcus Garvey Drive
Kingston, Jamaica



Chattel Village
Holetown, Barbados



Carlisle House
Bridgetown, Barbados



Hastings Office Centre
Hastings, Barbados



105-107 Marcus Garvey Drive
Kingston, Jamaica



693 Spanish Town Road¹
Kingston, Jamaica

¹ Acquisition completed subsequent to year-end.

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Financial Position
As at September 30, 2020
(expressed in Barbados dollars)

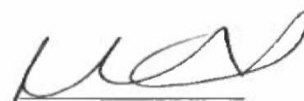
	Unaudited September 30, 2020	Audited September 30, 2019
	\$	\$
Assets		
Investment properties	62,822,668	39,328,765
Investment in associated company	17,291,276	21,234,890
Loans receivable	3,746,558	-
Accounts receivable and prepaid expenses	399,268	390,746
Due from related parties	754,247	518,605
Marketable securities	-	4,000,000
Cash & cash equivalents	23,888,930	34,253,482
Total assets	108,902,947	99,726,488
Liabilities		
Loans payable	10,580,000	10,728,501
Accounts payable and accrued expenses	2,905,989	495,545
Security and advanced deposits	317,566	327,021
Due to related party	39,660	-
Deferred tax	122,363	42,836
Corporation tax payable	54,622	11,579
Total liabilities	14,020,200	11,605,482
Total assets less liabilities	94,882,747	88,121,006
Equity		
Share capital	93,259,667	83,128,128
Other reserves	(248,774)	(79,327)
Retained earnings	1,840,072	5,039,725
Total shareholders' funds	94,850,965	88,088,526
Non-controlling interests	31,782	32,480
	94,882,747	88,121,006
Net asset value per share	\$0.69	\$0.72

Approved by:



Director

November 13, 2020



Director

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Comprehensive Income
For the year ended September 30, 2020
(expressed in Barbados dollars)

	Unaudited Year ended	Audited Year ended	Unaudited Three month Period	Unaudited Three month Period
	September 30, 2020	September 30, 2019	July 1, 2020 - September 30, 2020	July 1, 2019 - September 30, 2019
	\$	\$	\$	\$
Revenue				
Net rental income	2,945,551	1,800,499	791,291	703,607
Fair value gains on investment property	3,410,549	2,019,150	3,631,026	1,979,150
Share of (losses)/profit of investments using equity	(2,533,627)	2,947,930	(3,701,779)	1,349,757
Gain on bargain purchase	-	74,325	-	74,325
Interest income	761,194	149,714	178,478	57,001
Other income/(expenses)	666	1,869	243	(88,205)
Total investment income	4,584,333	6,993,487	899,259	4,075,635
Expenses				
Interest Expense	478,827	634,125	111,126	234,390
Fund management fees	652,643	298,137	161,681	73,802
Investment advisor fees	652,643	298,137	161,681	73,802
Professional fees	422,560	187,339	166,151	54,215
Directors and subcommittee fees	3,200	2,560	800	640
Office and administrative expenses	62,173	45,562	36,443	14,146
Impairment charge for receivables	57,676	76,317	81,897	65,230
Net foreign exchange losses/(gain)	201,410	1,565,676	(109,190)	1,565,676
Operating expenditure	2,531,132	3,107,853	610,589	2,081,901
Profit before tax	2,053,201	3,885,634	288,670	1,993,734
Taxation	(162,814)	(2,442)	(162,814)	(2,442)
Net profit for the year	1,890,387	3,883,192	125,856	1,991,292
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss</i>				
Exchange differences on translation of foreign operations	(169,447)	79,327	(306,101)	79,327
Total comprehensive income for the year	1,720,940	3,962,519	(180,245)	2,070,619
Attributable to:				
Cellular property fund shareholders	1,891,085	3,850,266	125,856	1,992,499
Non-controlling interests	(698)	32,926	-	(1,207)
Net profit for the year	1,890,387	3,883,192	125,856	1,991,292
Earnings per share – basic and diluted	\$0.02	\$0.06	\$0.00	\$0.03

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Changes in Equity
For the year ended September 30, 2020
(expressed in Barbados dollars)

	Attributable to Fund shareholders				Total
	Share capital	Other Reserves	Retained earnings	Non-controlling interests	
	\$	\$	\$	\$	
Balance- September 30, 2018	37,209,540	-	2,525,125	2,902,055	42,636,720
Shares Issues	47,237,127	-	-	-	47,237,127
Share issue costs	(1,318,539)	-	-	-	(1,318,539)
Translation reserves	-	(79,327)	-	-	(79,327)
Distributions to non- controlling interests	-	-	-	(2,902,501)	(2,902,501)
Dividend declared (2.4 cents per share)	-	-	(1,335,666)	-	(1,335,666)
Income for the year	-	-	3,850,266	32,926	3,883,192
Balance- September 30, 2019	83,128,128	(79,327)	5,039,725	32,480	88,121,006
Shares Issues	10,689,600	-	-	-	10,689,600
Share issue costs	(129,008)	-	-	-	(129,008)
Repurchase of issued shares	(429,053)	-	31,906	-	(397,147)
Translation reserves	-	(169,447)	-	-	(169,447)
Dividend declared (0.018 cents and 2.4 cents per share)	-	-	(5,122,644)	-	(5,122,644)
Income/(loss) for the year	-	-	1,891,085	(698)	1,890,387
Balance- September 30, 2020	93,259,667	(248,774)	1,840,072	31,782	94,882,747

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Cashflows
For the year ended September 30, 2020
(expressed in Barbados dollars)

	<u>Unaudited</u> <u>Year ended</u> <u>September 30, 2020</u>	<u>Audited</u> <u>Year ended</u> <u>September 30, 2019</u>
	\$	\$
Cash flows from operating activities		
Total comprehensive income for the year	2,053,201	3,885,634
Adjustment for:		
Fair value gains on investment property	(3,410,549)	(2,019,150)
Net foreign exchange loss	201,410	1,565,676
Share of losses/(gains) of investments accounted for using the equity	2,533,627	(2,947,930)
Depreciation	2,024	-
Interest income	(761,194)	(149,714)
Interest expense	478,827	634,125
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Operating income before working capital changes	1,097,346	968,641
Net decrease/(increase) in accounts receivable and prepaid expenses	53,053	(46,723)
Net increase in due to/from related parties	(183,299)	330,217
Net (increase)/decrease in loans receivable	(3,746,558)	6,500,000
Net increase/(decrease) in accounts payable and accrued expenses	236,730	(1,570,546)
Decrease/(Increase) in security deposits	(5,198)	94,020
Additions to investment property	(9,670,782)	(12,872,552)
Decrease/(Increase) in marketable securities	4,000,000	(4,000,000)
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Cash used in operations	(8,218,708)	(10,596,943)
Interest received	761,194	117,979
Interest paid	(479,203)	(633,749)
Tax paid	(34,358)	-
	<hr/>	<hr/>
Net cash used in operating activities	(7,971,075)	(11,112,713)
Cash flows from investing activities		
Distributions from associated companies	1,409,987	1,710,711
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Net cash generated from financing activities	1,409,987	1,710,711
Cash flows from financing activities		
Net proceeds from issuance of shares	(129,008)	39,061,220
Shares repurchased	(397,147)	-
Distributions to non-controlling interests	-	(2,902,501)
Dividends paid	(2,932,359)	(1,335,666)
Loans received	-	8,348,284
Loans repaid	(147,625)	(7,855,100)
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Net cash (used in)/generated from financing activities	(3,606,139)	35,316,237
Net (decrease)/increase in cash and cash equivalents	(10,167,227)	25,914,235
Effects of foreign exchange rate changes on cash and cash equivalents	(197,325)	(1,930,061)
Cash and cash equivalents at beginning of the year	34,253,482	10,237,573
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Cash and cash equivalents at end of the year	23,888,930	34,221,747
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TEN LARGEST SHAREHOLDERS
(as at September 30, 2020)

Seprod Limited	15,447,465
JCSD Trustee Services Ltd - Sigma Equity	10,827,190
3119, SJIML A/C	8,661,750
ATL Group Pension Fund Trustee Nominee Limited	8,445,220
Alamac Investments Limited	5,823,650
FirstCaribbean Barbados C1686 AA	5,650,158
Massy (Barbados) Ltd	5,000,000
Guardian Life Limited	4,387,590
NCB Insurance Co. Ltd. A/C WT157	3,031,000
NCB Insurance Co. Ltd. A/C WT160	3,031,000

SHAREHOLDINGS OF DIRECTORS
(as at September 30, 2020)

	Direct	Connected*
Nicholas A. Scott	180,076	17,549,742
Paul B. Scott	-	19,508,380
Melanie M. Subratie	-	19,831,115
Sharon E. Donaldson	30,000	1,917,140
Roger M. Cave	10,000	-
Jeffrey M. Hall	-	-
Damian J. Duncan	-	-
Richard A. Luck	-	-

* Includes connections by virtue of directorships and other affiliations in addition to indirect shareholdings.

1. Identification and Activities

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

Eppley Fund Managers Limited, a mutual fund administrator licensed under the Mutual Funds Act, Barbados, acquired the common shares of the Fund which were previously held by Fortress Fund Managers and Alleyne, Aguilar & Altman Limited. The effective date of the transaction was May 4, 2018. Following the completion of the sale, the name of the Fund was changed to Eppley Caribbean Property Fund Limited SCC.

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

A public invitation for subscription was made by Eppley Caribbean Property Limited SCC via prospectus dated June 15, 2019, in Jamaica in respect of cellular shares in the value fund at the price of J\$46.18 per share. The offer closed on July 31, 2019, consequently contributing to an increase of 66,528,860 units of shares issued.

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 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 accounting policies and method of computation are consistent with the audited financial statements for year ended September 30, 2019. These financial statements are expressed in Barbados dollars which is the currency of the primary economic environment in which the Fund operates.

2. Statement of Compliance and Basis of Preparation

The unaudited 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 interim financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain financial assets held at fair value through profit or loss and investment properties which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates.

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.

The accounting policies and method of computation are consistent with the audited financial statements for year ended September 30, 2019. These financial statements are expressed in Barbados dollars which is the currency of the primary economic environment in which the company operates.

EPPLEY

L I M I T E D

www.eppleylimited.com