

EPPLEY
L I M I T E D

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

VALUE FUND
FIRST QUARTER 2019

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>December 31, 2019</u>
Net assets:	\$86,433,124
Net profit:	\$1,215,597
Shares outstanding:	122,181,628
Net asset value per share:	\$0.71 J\$47.39
Share price:	\$0.56 (BSE) J\$43.19 (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

LETTER TO SHAREHOLDERS

FELLOW SHAREHOLDERS,

The Value Fund maintained its strong and improving performance, reporting an 87% increase in earnings attributable to shareholders for the period October 1 to December 31, 2019, relative to the corresponding period in the prior year.

The Fund continues to benefit from improved operational efficiency and the addition of high-quality commercial properties following a capital raise on the Jamaican markets in the summer of 2019. Since the capital raise and cross-listing on the Jamaica Stock Exchange (JSE), the Value Fund has now successfully executed all five immediate acquisitions outlined in its Prospectus dated June 15, 2019. That is, the Fund has now added over 240,000 square feet of prime commercial real estate in Jamaica and Barbados, spanning retail, commercial office and industrial asset types alike.

The first quarter period October 1 to December 31, 2019 reflects the Fund's first full quarter of performance since acquiring four of the five newly added properties to the portfolio. The Fund acquired two industrial assets and a retail building in Jamaica, along with an industrial property in Barbados prior to year-end September 2019.

The Hastings Business Centre, a 20,000 square foot, three-storey office building anchored by KPMG Barbados, was acquired in November 2019 and has since been fully integrated into the Value Fund portfolio.

Following the acquisitions, the Value Fund has reported yet another quarter of significant improvement in net operating income (NOI), funds from operations (FFO) and earnings attributable to shareholders for the period October 1 to December 31, 2019. The Fund's key performance items all improved by at least 35% on an absolute basis relative to the corresponding period in 2018.

The Value Fund reported \$1.2 million in earnings for the first quarter period in 2019, nearly double that of earnings reported in the corresponding period for the prior year. The growth is largely attributable to the added cash flows from the recently acquired properties in Jamaica and Barbados and interest income from short-term securities held.

Concurrently, the Fund reported \$1.1 million in NOI attributable to shareholders for the first quarter period in 2019, a 35% increase relative to the corresponding period in 2018. NOI provides a measure of the Fund's share of rental income less operating expenses including fund management and investment advisor fees across its entire portfolio.

FFO attributable to shareholders for the period, which deducts net interest expense from NOI attributable to shareholders, also grew to \$1.1 million or 81% relative to the corresponding period in 2018. FFO attributable to shareholders captures the core operating profitability of the Value Fund's portfolio and accounts for the portfolio's financing costs as well. FFO is also the primary basis upon which dividend is paid.

DIVIDEND

The Board of Directors declared a dividend of \$0.024 per share to shareholders on record on December 30, 2019 and has since paid this amount.

The total dividend payment of \$2.9 million is the largest paid dividend in the Fund's history.

SHARE BUYBACK

In line with the Fund's previously disclosed share buyback policy, the Fund announced its intention to repurchase its shares on the market should the shares trade at prices significantly below NAV per share.

We remain pleased with the Value Fund's performance and continue to focus on not only improving operational efficiency but scaling the portfolio to further achieve regional and asset type diversification. We have now deployed most of the capital raised in our JSE listing and closed all of the acquisitions outlined in our prospectus. We expect to deploy the remaining proceeds over the next few months. These acquisitions will remain in line with the Fund's investment strategy of acquiring strong yielding, high-quality commercial real estate throughout the Caribbean.

Sincerely,

A handwritten signature in black ink, appearing to read "Nicholas Scott". The signature is written in a cursive, flowing style.

Nicholas A. Scott

VALUE FUND FINANCIAL PERFORMANCE

	DECEMBER-19	DECEMBER-18
NOI attributable to shareholders	1,110,614	824,643
Interest expense	(121,856)	(121,205)
Interest and other income	269,745	55,205
Interest expense of investments accounted for using Equity Method	(115,672)	(127,924)
FFO attributable to shareholders	1,142,831	630,719
Fair value gains/(losses) on investment properties	-	-
Foreign exchange gain	72,766	-
Net gain/(loss) on sale of investment property	-	-
Impairment (charge)/recovery for receivables	-	-
Non-cash charges of investments accounted for using the Equity Method	-	18,494
Comprehensive income attributable to shareholders for the period	1,215,597	649,213

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

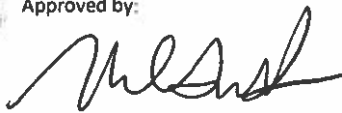


Hastings Office Centre
Hastings, Barbados

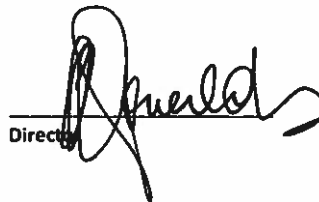
Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Financial Position
As at December 31, 2019
(expressed in Barbados dollars)

	Unaudited December 31, 2019	Unaudited December 31, 2018	Audited September 30, 2019
	\$	\$	\$
Assets			
Investment properties	48,761,695	17,770,000	39,328,765
Investment in associated company	21,779,578	20,530,738	21,234,890
Loans receivable	-	4,043,298	-
Accounts receivable and prepaid expenses	475,390	2,973,210	390,746
Due from related parties	562,914	852,220	518,605
Marketable securities	4,000,000	-	4,000,000
Cash & cash equivalents	26,190,685	8,287,947	34,253,482
Total assets	101,770,262	54,457,413	99,726,488
Liabilities			
Loans payable	10,850,668	10,500,000	10,728,501
Accounts payable and accrued expenses	3,679,413	1,740,712	495,545
Security and advanced deposits	720,030	235,047	327,021
Deferred tax	43,367	-	42,836
Corporation tax payable	11,579	-	11,579
Total liabilities	15,305,057	12,475,759	11,605,482
Total assets less liabilities	86,465,205	41,981,654	88,121,006
Equity			
Share capital	83,128,128	37,209,540	83,128,128
Other reserves	(17,967)	-	(79,327)
Retained earnings	3,322,963	1,838,672	5,039,725
Total shareholders' funds	86,433,124	39,048,212	88,088,526
Non-controlling interests	32,081	2,933,442	32,480
	86,465,205	41,981,654	88,121,006
Net asset value per share	\$0.71	\$0.70	\$0.72

Approved by:



Director
January 30th, 2020



Director

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Comprehensive Income
For the three-month period ended December 31, 2019
(expressed in Barbados dollars)

	Unaudited Three-month period ended October 1, 2019 - December 31, 2019 \$	Unaudited Three-month period ended October 1, 2018 - December 31, 2018 \$	Audited Year ended September 30, 2019 \$
Revenue			
Net rental income	843,396	392,858	1,800,499
Fair value gains on investment property	-	-	2,019,150
Share of profit of investments using equity accounting	544,688	533,067	2,947,930
Gain on bargain purchase	-	-	74,325
Interest income	269,745	55,205	149,714
Other income	-	-	1,869
Total investment income	1,657,829	981,130	6,993,487
Expenses			
Interest Expense	121,856	121,205	634,125
Fund management fees	165,800	73,918	298,137
Investment advisor fees	165,800	73,918	298,137
Professional fees	54,654	30,300	187,339
Directors and subcommittee fees	800	640	2,560
Office and administrative expenses	6,487	549	45,562
Impairment charge for receivables	-	-	76,317
Net foreign exchange (gain)/loss	(72,766)	-	1,565,676
Operating expenditure	442,631	300,530	3,107,853
Profit before tax	1,215,198	680,600	3,885,634
Taxation	-	-	(2,442)
Net profit for the year	1,215,198	680,600	3,883,192
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	(61,360)	-	79,327
Total comprehensive income for the year	1,153,838	680,600	3,962,519
Attributable to:			
Cellular property fund shareholders	1,215,597	649,213	3,850,266
Non-controlling interests	(399)	31,387	32,926
Total comprehensive income for the period	1,215,198	680,600	3,883,192
Earnings per share – basic and diluted	\$0.01	\$0.01	\$0.06

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Changes in Equity
For the three-month period October 1, 2019 - December 31, 2019
(expressed in Barbados dollars)

	Attributable to Fund shareholders				
	Share capital	Other Reserves	Retained earnings	Non-controlling interests	Total
	\$	\$	\$	\$	\$
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
Translation reserves	-	61,360	-	-	61,360
Dividend declared (2.4 cents per share)	-	-	(2,932,359)	-	(2,932,359)
Income for the period	-	-	1,215,597	(399)	1,215,198
Balance- December 31, 2019	83,128,128	(17,967)	3,322,963	32,081	86,465,205

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Changes in Equity
For the three-month period October 1, 2018- December 31, 2018
(expressed in Barbados dollars)

	Attributable to Fund shareholders			
	Share capital	Retained earnings	Non-controlling interests	Total
	\$	\$	\$	\$
Balance- September 30, 2017	37,209,540	5,273,834	3,055,520	45,538,894
Dividend declared (3.5 cents per share)	-	(1,947,846)	-	(1,947,846)
Distributions to non- controlling interests	-	-	(215,000)	(215,000)
Total comprehensive (loss)/income for the year	-	(800,863)	61,535	(739,328)
Balance- September 30, 2018	37,209,540	2,525,125	2,902,055	42,636,720
Dividend declared (2.4 cents per share)	-	(1,335,666)	-	(1,335,666)
Income for the period	-	649,213	31,387	680,600
Balance- December 31, 2018	37,209,540	1,838,672	2,933,442	41,981,654

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Cashflows
For the three-month period October 1, 2019 - December 31, 2019
(expressed in Barbados dollars)

	<u>Unaudited</u> <u>three-month period</u> <u>October 1, 2019 -</u> <u>December 31, 2019</u> \$	<u>Unaudited</u> <u>three-month period</u> <u>October 1, 2018 -</u> <u>December 31, 2018</u> \$	<u>Audited</u> <u>Year ended</u> <u>September 30, 2019</u> \$
Cash flows from operating activities			
Total comprehensive income for the period	1,215,198	680,600	3,885,634
Adjustment for:			
Fair value gains on investment property	-	-	(2,019,150)
Net foreign exchange (gain)/loss	(72,766)	-	1,565,676
Share of gains of investments accounted for using the equity method	(544,688)	(533,067)	(2,947,930)
Depreciation	506	-	-
Interest income	(269,745)	(55,205)	(149,714)
Interest expense	121,856	121,205	634,125
Operating income before working capital changes	450,361	213,533	968,641
Net (decrease)/increase in accounts receivable and prepaid expenses	46,024	(2,695,441)	(46,723)
Net increase in due to/from related parties	(44,309)	(4,991)	330,217
Net decrease in loans receivable	-	2,456,702	6,500,000
Net increase/(decrease) in accounts payable and accrued expenses	3,181,967	(439,809)	(1,570,546)
Increase in security deposits	393,009	2,046	94,020
Additions to investment property	(9,372,076)	-	(12,872,552)
Additions to marketable securities	-	-	(4,000,000)
Cash used in operations	(5,345,024)	(467,960)	(10,596,943)
Interest received	269,745	55,205	117,979
Interest paid	(1,522)	(201,205)	(633,749)
Net cash (used in)/generated from operating activities	(5,076,801)	(613,960)	(11,112,713)
Cash flows from investing activities			
Distributions from associated companies	-	-	1,710,711
Net cash (used in)/ generated from financing activities	-	-	1,710,711
Cash flows from financing activities			
Net proceeds from issuance of share	-	-	39,061,220
Distributions to non-controlling interests	-	-	(2,902,501)
Dividends paid	(2,932,359)	(1,335,666)	(1,335,666)
Loans received	-	-	8,348,284
Loans repaid	-	-	(7,855,100)
Net cash used in financing activities	(2,932,359)	(1,335,666)	35,316,237
Net (decrease)/increase in cash and cash equivalents	(8,009,160)	(1,949,626)	25,914,235
Effects of foreign exchange rates changes on cash and cash equivalents	(53,637)	-	(1,930,061)
Cash and cash equivalents at beginning of the period	34,253,482	10,237,573	10,237,573
Cash and cash equivalents at end of the period	26,190,685	8,287,947	34,221,747

TEN LARGEST SHAREHOLDERS
(as at December 31, 2019)

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
Kingston Port Workers Superannuation Fund	2,820,000

SHAREHOLDINGS OF DIRECTORS
(as at December 31, 2019)

	Direct	Connected
Nicholas A. Scott	180,076	2,069,277
Paul B. Scott	-	7,644,824
Melanie M. Subratie	-	7,967,559
Sharon E. Donaldson	30,000	-
Roger M. Cave	10,000	-
Jeffrey M. Hall	-	-
Damian J. Duncan	-	-
Richard A. Luck	-	-

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

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www.eppleylimited.com