

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 2019

COMPANY OVERVIEW

Fund name:	Eppley Caribbean Property Fund Limited SCC-Value Fund
Fund type:	Closed-end Fund
Eppley management control:	May 25, 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, 2019</u>
Net assets:	\$88,256,269
Net Profit:	\$4,015,230
Shares outstanding:	122,181,628
Net asset value per share:	\$0.72 J\$48.64
Share price:	\$0.56 (BSE) J\$35.79 (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,

For the year ended September 30, 2019, the Value Fund recorded its most profitable performance since its inception in 2013 and experienced significant improvements in all key financial performance metrics.

The Fund's improved performance is attributable to enhanced operational efficiency, receiving a full year's benefit of acquisitions in 2018 and the acquisition of prime commercial real estate in Jamaica and Barbados in 2019.

In August 2019, the Fund successfully cross-listed and raised over J\$3 billion in equity capital through a secondary offering of shares on the Jamaica Stock Exchange ("JSE"). The shares were listed on the JSE on August 29, 2019 under the symbol CPFV.

The Fund is now the largest listed real estate mutual fund in the Caribbean, listed on all three major stock exchanges in the region and comprised of commercial buildings covering over 490,000 square feet of tenantable space.

The Fund's capital raise facilitated the immediate acquisition of commercial real estate assets with attractive capitalisation rates which instantly diversified the portfolio geographically and by type. The acquisitions consisted of two industrial assets and a retail building in Jamaica, along with an industrial property in Barbados.

The recent acquisitions have subsequently contributed to growth in net rental income from properties directly owned by the Fund and an increase in share of profit from buildings owned through subsidiaries and joint venture arrangements.

The Fund reported an 18% increase in net rental income to \$1.8 million for the financial year 2019. Furthermore, the Fund recorded \$2.9 million in share of profits from investments, representing an 89% increase relative to the corresponding period in 2018. These increases are largely attributable to the Fund's increased stake in the Cave Shepherd Building, realizing a full year's income from the acquisition of Emerald City Mall in 2018 and the recent acquisition of assets in Jamaica and Barbados.

We continue to believe that over time a critical yardstick with which we measure the operating performance of the Fund is its FFO attributable to shareholders on a per share basis. This metric captures the Fund's profitability from its rental income less its expenses and its cost of financing but excludes fluctuations from fair value gains (or losses). It is also the basis of the Fund's dividend policy.

This year, FFO per share increased by 38% to \$0.043 per share. Given that the Fund's NAV per share is \$0.72, this implies a yield of 6% after all fees and expenses.

The Fund reported \$2.2 million in fair value gains this year, which were largely attributable the Fund's acquisition of properties at favourable prices relative to market value and the extension of key long-term leases. These gains were compensated by a one-time foreign exchange loss of \$1.5 million.

As a result, the Fund produced a net profit of \$4.0 million or \$0.063 per share in 2019 versus a net loss in the prior year.

HASTINGS OFFICE CENTRE

We are pleased to announce that subsequent to the end of the quarter, the Fund reached an agreement to acquire the Hastings Office Centre, a multi-storey commercial office building consisting of 20,167 square feet in Hastings, Barbados with KPMG, a global professional services firm as the anchor tenant. We expect that the building will generate an NOI yield in excess of 8% and add to the Fund's portfolio of office properties.

We are pleased with the Value Fund's performance in 2019. Our capital raise has allowed us to grow and diversify the Fund's holdings. The impact of these acquisitions and those in 2018 have significantly improved profitability. Our focus over the next few quarters will be to add additional properties to our portfolio consistent with our investment strategy.

Sincerely,



Nicholas A. Scott

VALUE FUND FINANCIAL PERFORMANCE

	SEPTEMBER-19	SEPTEMBER-18
NOI attributable to shareholders	3,450,027	2,449,844
Interest expense	(634,125)	(480,000)
Interest and other income	182,284	28,485
Interest expense of investments accounted for using Equity Method	(264,747)	(246,595)
FFO attributable to shareholders	2,733,439	1,751,734
Fair value gains/(losses) on investment properties		
Foreign exchange loss	2,153,412	(2,381,895)
Net gain/(loss) on sale of investment property	(1,565,676)	-
Impairment (charge)/recovery for receivables	-	(118,141)
Non-cash charges of investments accounted for using the Equity Method	(76,317)	(20,892)
	770,372	(31,669)
Comprehensive income/(loss) per year attributable to shareholders	4,015,230	(800,863)
FFO per share	0.043	0.031
Earnings per share	0.063	(0.014)

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 Centre¹
Hastings, Barbados

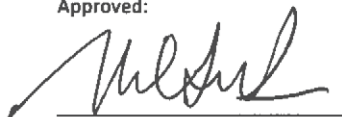
¹ Agreement reached to purchase subsequent to year-end.

FINANCIAL STATEMENTS

Eppley Caribbean Property Fund Limited SCC- Value Fund
(formerly Fortress Caribbean Property Fund Limited SCC)
Unaudited Consolidated Statement of Financial Position
As at September 30, 2019
 (expressed in Barbados dollars)

	Unaudited September 30, 2019	Audited September 30, 2018
	\$	\$
Assets		
Investment properties	39,465,807	17,770,000
Investment in associated company	21,234,890	19,997,671
Loans receivable	-	6,500,000
Accounts receivable and prepaid expenses	572,144	277,769
Due from related parties	337,207	847,229
Cash & cash equivalents	38,284,183	10,237,573
Total assets	99,894,231	55,630,242
Liabilities		
Loans payable	10,728,501	10,580,000
Accounts payable and accrued expenses	669,771	2,180,521
Security and advanced deposits	207,210	233,001
Total liabilities	11,605,482	12,993,522
Total assets less liabilities	88,288,749	42,636,720
Equity		
Share capital	83,128,128	37,209,540
Other reserves	(76,548)	-
Retained earnings	5,204,689	2,525,125
Total shareholders' funds	88,256,269	39,734,665
Non-controlling interests	32,480	2,902,055
	88,288,749	42,636,720
Net asset value per share	\$0.72	\$0.71

Approved:



Director
November 14, 2019



Director

Eppley Caribbean Property Fund Limited SCC- Value Fund
(formerly Fortress Caribbean Property Fund Limited SCC)
Unaudited Consolidated Statement of Comprehensive Income
For the year ended September 30, 2019
(expressed in Barbados dollars)

	Unaudited Year ended September 30, 2019	Audited Year ended September 30, 2018
	\$	\$
Revenue		
Net rental income	1,800,499	1,521,075
Fair value gains/(losses) on investment property	2,153,412	(2,381,895)
Share of profit of investments using equity accounting	2,947,930	1,563,000
Gain on bargain purchase	74,325	-
Net loss on sale of investment property	-	(118,141)
Interest income	180,415	21,833
Other income	1,869	6,652
Total investment income	7,158,450	612,524
Expenses		
Interest Expense	634,125	480,000
Fund management fees	298,137	313,735
Investment advisor fees	298,137	313,735
Professional fees	187,339	193,058
Directors and subcommittee fees	2,560	18,527
Office and administrative expenses	48,003	11,905
Impairment charge on receivable	76,317	20,892
Foreign exchange loss	1,565,676	-
Operating expenditure	3,110,294	1,351,852
Net profit/(loss) for the period	4,048,156	(739,328)
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	76,548	-
Total comprehensive income for the year	4,124,704	(739,328)
Net profit attributable to:		
Cellular property fund shareholders	4,015,230	(800,863)
Non-controlling interests	32,926	61,535
Net profit/(loss) for the period	4,048,156	(739,328)
Earnings/(Loss) per share	\$0.06	\$(0.01)

Eppley Caribbean Property Fund Limited SCC- Value Fund
(formerly Fortress Caribbean Property Fund Limited SCC
Unaudited Consolidated Statement of Changes in Equity
For the year ended September 30, 2019
 (expressed in Barbados dollars)

	Attributable to Fund shareholders				
	Share capital	Other Reserves	Retained earnings	Non-controlling interests	Total
	\$	\$	\$	\$	\$
Balance- September 30, 2017	37,209,540	-	5,273,834	3,055,520	45,538,894
Dividend declared (0.035 cents per share)	-	-	(1,947,846)	-	(1,947,846)
Distributions to non- controlling interests	-	-	-	(215,000)	(215,000)
Total comprehensive loss 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
Issuance of shares	47,237,127	-	-	-	47,237,127
Shares issue costs	(1,318,539)	-	-	-	(1,318,539)
Translation reserves	-	(76,548)	-	-	(76,548)
Distributions to non-controlling interests	-	-	-	(2,902,501)	(2,902,501)
Dividend declared (0.024 cents per share)	-	-	(1,335,666)	-	(1,335,666)
Income for the year	-	-	4,015,230	32,926	4,048,156
Balance- September 30, 2019	83,128,128	(76,548)	5,204,689	32,480	88,288,749

Eppley Caribbean Property Fund Limited SCC- Value Fund

(formerly Fortress Caribbean Property Fund Limited SCC)

Unaudited Consolidated Statement of Cashflows

For the year ended September 30, 2019

(expressed in Barbados dollars)

	Unaudited Year ended September 30, 2019	Audited Year ended September 30, 2018
	\$	\$
Cash flows from operating activities		
Total comprehensive income/(loss) for the period	4,048,156	(739,328)
Adjustment for:		
Fair value (gains)/losses on investment property	(2,153,412)	2,381,895
Share of (gain) of investments accounted for using the equity method	(2,429,552)	(1,563,000)
Net loss on sale of investment property	-	118,141
Impairment charge for receivables	-	20,892
Interest income	(180,415)	(21,833)
Interest expense	634,125	480,000
	(81,098)	676,767
Net (increase)/decrease in accounts receivable and prepaid expenses	(294,375)	390,521
Net decrease in due to/from related parties	510,022	80,339
Net decrease in loans receivable	6,500,000	-
Net (decrease)/increase in accounts payable and accrued expenses	(1,510,750)	1,855,467
(Decrease) in security deposits	(25,791)	(56,987)
Additions to investment property	(13,279,955)	(101,895)
Cash (used) in/generated from operations	(8,181,947)	2,844,212
Interest received	180,415	21,833
Interest paid	(633,749)	(480,000)
Net cash (used) in/generated from operating activities	(8,635,280)	2,386,045
Cash flows from investing activities		
Investment in associated companies	-	(9,387,682)
Distributions from associated companies	1,710,713	5,868,000
Net cash generated from/(used) in financing activities	1,710,713	(3,519,682)
Cash flows from financing activities		
Net proceeds from issuance of shares	39,061,220	-
Distributions to non-controlling interests	(2,902,501)	(215,000)
Dividends paid	(1,335,666)	(1,947,846)
Loans received	148,125	-
Net cash generated from/(used) in financing activities	34,971,178	(2,162,846)
Net increase/(decrease) in cash and cash equivalents	28,046,610	(3,296,483)
Cash and cash equivalents at beginning of the period	10,237,573	13,534,056
Cash and cash equivalents at end of the period	38,284,183	10,237,573

TEN LARGEST SHAREHOLDERS

(as at September 30, 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	5,591,258
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 September 30, 2019)

	Direct	Connected
Nicholas A. Scott	178,865	152,137
Paul B. Scott	-	4,965,310
Melanie M. Subratie	-	418,479
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 14, 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, 2018. 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, 2018. These financial statements are expressed in Barbados dollars which is the currency of the primary economic environment in which the company operates.

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