

EPPLEY
L I M I T E D

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

VALUE FUND
SECOND 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 quarter:	March 31, 2020
Net assets:	\$86,804,602
Net profit:	\$1,681, 220
Shares outstanding:	\$122,149, 983
Net asset value per share:	\$0.71 J\$48.31
Share price:	\$0.58 (BSE) J\$38.89 (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 successfully concluded a solid half year performance, reporting \$1.7 million in net earnings for the six month period October 1, 2019 to March 31, 2020, a 38% increase relative to the corresponding period last year.

The Fund's other key performance measures, net operating income (NOI) and funds from operations (FFO) attributable to shareholders, noted significant growth as well. This reflects the addition of new properties, mostly in Jamaica, that have further diversified our stream of cashflows.

NOI attributable to shareholders, a measure of the Fund's share of rental income less its operating expenses, was \$2.1 million for the six month period October 1, 2019 to March 31, 2020. This represents a 28% increase, relative to NOI attributable to shareholders for the same period in the 2019 financial year.

FFO attributable to shareholders, a measure of the Fund's core operating profitability factoring in financing costs, was \$2 million for the six month period October 1, 2019 to March 31, 2020. This represents a 71% increase, relative to FFO attributable to shareholders for the same period in 2019.

The Fund's performance was weighed down by a high cash balance which stood at \$28.2 million at the end of the quarter. In March, we were preparing to close on two large acquisition opportunities that met our return thresholds and would have meaningfully deployed our liquidity. However, with the advent of Covid 19, we thought it prudent to put these opportunities on hold. This decision will prolong the drag of cash on our earnings. We believe it will also provide us with the opportunity to acquire commercial properties on significantly improved terms as the effects of Covid 19 manifest throughout the region. As a large cash buyer, the Value Fund is well-positioned to work with sellers looking to dispose their properties quickly and without financing contingencies.

The Fund will not be immune to the impacts of Covid 19. We enter this period with over 90% occupancy and mostly multi-year leases with well-capitalized tenants. Our decision last year to raise capital and acquire office and industrial assets will also act as an additional mitigant. Nevertheless, our retail assets and specifically those exposed to tourism will be affected. We expect to provide short-term rent relief to some tenants and this will impact our FFO and earnings in 2020. We are however confident that in most cases we will be able to simply defer the payment of rent or significantly extend leases with our tenants to offset the impact over the long-term. In these times of economic uncertainty and volatility in stocks and bonds, we are pleased to own a high-quality portfolio of real assets.

In line with the Fund's previously disclosed share buyback policy, the Fund reserves the right to repurchase its shares on the market should the shares trade at prices significantly below NAV per share. Management continues to monitor the Fund's share price and intends to occasionally take advantage of value creating buyback opportunities, while remaining cognizant of the need for liquidity preservation during these unprecedented times.

In conclusion, the Value Fund had a solid performance for the first half of its financial year. Like all businesses, Covid 19 will impact the Fund. However, the Value Fund has low debt and significant cash and is ready to capitalize on opportunities that may emerge from this period of uncertainty.

Sincerely,



Nicholas A. Scott

VALUE FUND FINANCIAL PERFORMANCE

	MARCH-20	MARCH-19
NOI attributable to shareholders	2,053,149	1,598,217
Interest expense	(246,556)	(241,205)
Interest and other income	400,360	65,890
Interest expense of investments accounted for using Equity Method	(206,803)	(251,879)
FFO attributable to shareholders	2,000,150	1,171,022
Fair value gains/(losses) on investment properties	(220,477)	40,000
Foreign exchange gain	(125,012)	-
Net gain/(loss) on sale of investment property	-	-
Impairment (charge)/recovery for receivables	26,559	-
Non-cash charges of investments accounted for using the Equity Method	-	3,818
Comprehensive income attributable to shareholders for the period	1,681,220	1,214,840

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 March 31, 2020
(expressed in Barbados dollars)

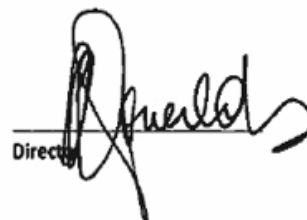
	Unaudited March 31, 2020	Unaudited March 31, 2019	Audited September 30, 2019
	\$	\$	\$
Assets			
Investment properties	48,317,037	17,810,000	39,328,765
Investment in associated company	21,321,476	19,482,105	21,234,890
Accounts receivable and prepaid expenses	631,853	803,435	390,746
Due from related parties	585,048	746,435	518,605
Marketable securities	-	-	4,000,000
Cash & cash equivalents	28,235,099	11,872,353	34,253,482
Total assets	99,090,513	50,714,328	99,726,488
Liabilities			
Loans payable	10,727,625	10,620,000	10,728,501
Accounts payable and accrued expenses	508,931	210,583	495,545
Security and advanced deposits	717,514	235,047	327,021
Due to related party	245,644	-	-
Deferred tax	42,836	-	42,836
Corporation tax payable	11,579	-	11,579
Total liabilities	12,254,129	11,065,630	11,605,482
Total assets less liabilities	86,836,384	39,648,698	88,121,006
Equity			
Share capital	83,106,598	37,209,540	83,128,128
Other reserves	(93,714)	-	(79,327)
Retained earnings	3,791,718	2,404,299	5,039,725
Total shareholders' funds	86,804,602	39,613,839	88,088,526
Non-controlling interests	31,782	34,859	32,480
	86,836,384	39,648,698	88,121,006
Net asset value per share	\$0.71	\$0.71	\$0.72

Approved by:



Director

May 14th, 2020



Director

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Comprehensive Income
For the six-month period October 1, 2019 to March 31, 2020
(expressed in Barbados dollars)

	Unaudited six-month period ended October 1, 2019 - March 31, 2020	Unaudited six-month period ended October 1, 2018 - March 31, 2019	Audited Year ended September 30, 2019
	\$	\$	\$
Revenue			
Net rental income	1,692,159	730,771	1,800,499
Fair value gains on investment property	(220,477)	40,000	2,019,150
Share of profit of investments using equity accounting	1,046,586	1,064,291	2,947,930
Gain on bargain purchase	-	-	74,325
Interest income	400,360	65,890	149,714
Other income	-	-	1,869
Total investment income	2,918,628	1,900,952	6,993,487
Expenses			
Interest Expense	246,556	241,205	634,125
Fund management fees	328,170	147,542	298,137
Investment advisor fees	328,170	147,542	298,137
Professional fees	213,475	93,121	187,339
Directors and subcommittee fees	1,600	1,280	2,560
Office and administrative expenses	21,682	9,030	45,562
Impairment charge for receivables	(26,559)	11,087	76,317
Net foreign exchange loss	125,012	-	1,565,676
Operating expenditure	1,238,106	650,807	3,107,853
Profit before tax	1,680,522	1,250,145	3,885,634
Taxation	-	-	(2,442)
Net profit for the year	1,680,522	1,250,145	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	14,387	-	79,327
Total comprehensive income for the year	1,694,909	1,250,145	3,962,519
Attributable to:			
Cellular property fund shareholders	1,681,220	1,214,840	3,850,266
Non-controlling interests	(698)	35,305	32,926
Total comprehensive income for the period	1,680,522	1,250,145	3,883,192
Earnings per share – basic and diluted	0.01	\$0.02	\$0.06

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Changes in Equity
For the six-month period October 1, 2019 to March 31, 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
Repurchase of issued shares	(21,530)	-	3,132	-	(18,398)
Translation reserves	-	(14,387)	-	-	(14,387)
Dividend declared (2.4 cents per share)	-	-	(2,932,359)	-	(2,932,359)
Income for the period	-	-	1,681,220	(698)	1,680,522
Balance- March 31, 2020	83,106,598	(93,714)	3,791,718	31,782	86,836,384

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Changes in Equity
For the six-month period October 1, 2018 to March 31, 2019
(expressed in Barbados dollars)

	Attributable to Fund shareholders			Total \$
	Share capital	Retained earnings	Non-controlling interests	
	\$	\$	\$	
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
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 period	-	1,214,840	35,305	1,250,145
Balance- March 31, 2019	37,209,540	2,404,299	34,859	39,648,698

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Cashflows
For the six-month period October 1, 2019 to March 31, 2020
(expressed in Barbados dollars)

	<u>Unaudited</u> <u>six-month period</u> <u>October 1, 2019 –</u> <u>March 31, 2020</u>	<u>Unaudited</u> <u>six-month period</u> <u>October 1, 2018 -</u> <u>March 31, 2019</u>	<u>Audited</u> <u>Year ended</u> <u>September 30, 2019</u>
	\$	\$	\$
Cash flows from operating activities			
Total comprehensive income for the period	1,680,522	1,250,145	3,885,634
Adjustment for:			
Fair value gains on investment property	220,477	(40,000)	(2,019,150)
Net foreign exchange loss	152,962	-	1,565,676
Share of gains of investments accounted for using the equity method	(1,046,586)	(1,064,291)	(2,947,930)
Depreciation	1,012	-	-
Interest income	(400,360)	(65,890)	(149,714)
Interest expense	246,556	241,205	634,125
Operating income before working capital changes	854,583	321,169	968,641
Net increase in accounts receivable and prepaid expenses	(242,121)	(525,666)	(46,723)
Net increase in due to/from related parties	178,930	100,794	330,217
Net decrease in loans receivable	-	6,500,000	6,500,000
Net increase/(decrease) in accounts payable and accrued expenses	12,473	(1,969,938)	(1,570,546)
Increase in security deposits	390,493	2,046	94,020
Additions to investment property	(9,312,477)	-	(12,872,552)
(Increase)/decrease in marketable securities	4,000,000	-	(4,000,000)
Cash used in operations	(4,118,119)	4,428,405	(10,596,943)
Interest received	400,360	65,890	117,979
Interest paid	(246,932)	(201,205)	(633,749)
Net cash (used in)/generated from operating activities	(3,964,691)	4,293,090	(11,112,713)
Cash flows from investing activities			
Distributions from associated companies	960,000	1,579,857	1,710,711
Net cash generated from financing activities	960,000	1,579,857	1,710,711
Cash flows from financing activities			
Net proceeds from issuance of share	-	-	39,061,220
Shares repurchased	(18,398)	-	-
Distributions to non-controlling interests	-	(2,902,501)	(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)/generated from financing activities	(2,950,757)	(4,238,167)	35,316,237
Net (decrease)/increase in cash and cash equivalents	(5,955,448)	1,634,780	25,914,235
Effects of foreign exchange rate changes on cash and cash equivalents	(62,935)	-	(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	28,235,099	11,872,353	34,221,747

TEN LARGEST SHAREHOLDERS
(as at March 31, 2020)

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 March 31, 2020)

	Direct	Connected*
Nicholas A. Scott	180,076	2,102,277
Paul B. Scott	-	4,060,915
Melanie M. Subratie	-	4,383,650
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.

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