

EPPLEY
L I M I T E D

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

VALUE FUND
THIRD QUARTER 2022

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: | Semi-Annually |
| Management fees: | 1.5% of net assets |
| Financial quarter: | June 30, 2022 |
| Net assets: | <u>\$103,433,014</u> |
| Net profit: | \$6,421,655 |
| Shares outstanding: | 136,249,608 |
| Net asset value per share: | \$0.76 |
| Share price: | \$0.51 (BSE) J\$44.38 (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

Property Consultancy Services
David Thwaites and Associates
NAI Jamaica Langford and Brown
Brent Augustus & Associates Limited

ATTORNEYS

Clarke Gittens Farmer

BANKERS

CIBC FirstCaribbean International Bank
NCB Capital Markets

LETTER TO SHAREHOLDERS

FELLOW SHAREHOLDERS,

The Value Fund continues to experience significant improvements in all key financial performance metrics. The improved performance was driven by the strength of the Fund's operations and quality of its underlying assets, further validating key strategic initiatives executed by management in recent years. The Value Fund continues to build on last year's record profitability, recording net profit attributable to shareholders of \$6.4 million for the third quarter ended June 30, 2022, representing a 144% increase relative to the corresponding period last year.

Net Operating Income (NOI) attributable to shareholders, a performance metric that measures the Fund's share of rental income less its operating expenses, grew 40% to \$4.4 million for the nine-month period ended June 30, 2022. The increase is largely reflective of added income generated from recent acquisitions and careful management of the Fund's operational efficiency.

Consistent with the Fund's NOI performance, Funds From Operations (FFO) attributable to shareholders, a metric that reflects the Fund's NOI less its net cost of financing, increased 24% to \$3.3 million for the nine-month period ended June 30, 2022. We anticipate continued growth in FFO attributable to shareholders over time as the Fund realizes the full benefit of recent acquisitions.

The Value Fund continues to maintain a strong balance sheet, concluding the nine-month period ended June 30, 2022 with \$8.2 million of liquidity. Our healthy capital structure keeps us well-poised for growth and to continue to execute on our strategic initiatives to improve portfolio performance and to further scale and diversify the Fund's assets.

The Fund continues to benefit from inflation protection provided by a diverse regional portfolio, underpinned by high-quality commercial real estate and strong yielding cashflows.

Dividend

The dividend payment frequency was increased to quarterly earlier this calendar year. In line with the Fund's policy to distribute the vast majority of FFO attributable to shareholders, the Board approved an interim dividend of 0.15 cents per share to shareholders on record at August 31, 2022, payable on September 15, 2022.

The Value Fund concluded its third quarter maintaining its course of strong and improving performance. We remain encouraged by the strength of our underlying assets and will continue to focus on implementing key initiatives to further improve the quality of our portfolio and overall operations.

Our outlook remains positive, and we look forward to sharing further updates with you soon.

Sincerely,



Nicholas A. Scott

VALUE FUND FINANCIAL PERFORMANCE

| | JUNE-22 | JUNE-21 |
|---|------------------|------------------|
| NOI attributable to shareholders | 4,441,969 | 3,177,971 |
| Interest expense | (947,465) | (692,260) |
| Interest and other income | 553,416 | 515,444 |
| Net interest expense of investments accounted for using Equity Method | (709,259) | (304,965) |
| FFO attributable to shareholders | 3,338,661 | 2,696,190 |
| Fair value gains/(losses) on investment properties | 1,121,452 | 136,298 |
| Foreign exchange gains/(losses) | (108,128) | (185,789) |
| Impairment (charge)/recovery for receivables | - | (6,517) |
| Non-cash charges of investments accounted for using the Equity Method | 2,069,670 | (4,122) |
| Comprehensive income attributable to shareholders for the period | 6,421,655 | 2,636,060 |

VALUE FUND PROPERTIES



10-14 Broad Street
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



Spanish Town Road
Kingston, Jamaica



Mall Plaza
Kingston, Jamaica



155-157 Tragarete Road
Port of Spain, Trinidad & Tobago



52 Valsayn Branch Road
Valsayn, Trinidad & Tobago



22 Chalmers Avenue
Kingston, Jamaica

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Financial Position
As at June 30, 2022
(expressed in Barbados dollars)


| | Unaudited | Unaudited | Audited |
|--|--------------------|--------------------|--------------------|
| | June 30, 2022 | June 30, 2021 | September 30, 2021 |
| | \$ | \$ | \$ |
| Assets | | | |
| Investment properties | 74,038,554 | 71,200,952 | 73,807,640 |
| Investment in associated company | 34,106,611 | 32,206,754 | 31,208,140 |
| Investment securities | 10,448,534 | - | - |
| Loans receivable | 1,776,258 | 3,753,058 | 3,752,958 |
| Accounts receivable and prepaid expenses | 840,525 | 970,742 | 999,902 |
| Due from related parties | 976,259 | 930,041 | 874,987 |
| Cash & cash equivalents | 8,169,808 | 17,851,965 | 16,329,159 |
| Total assets | 130,356,549 | 126,913,512 | 126,972,786 |
| Liabilities | | | |
| Loans payable | 23,987,269 | 27,653,587 | 24,465,538 |
| Accounts payable and accrued expenses | 2,275,844 | 2,780,845 | 1,151,243 |
| Security and advanced deposits | 416,206 | 392,299 | 418,572 |
| Deferred tax | 157,247 | 127,157 | 162,062 |
| Corporation tax payable | 86,969 | 26,524 | 83,369 |
| Total liabilities | 26,923,535 | 30,980,412 | 26,280,784 |
| Total assets less liabilities | 103,433,014 | 95,933,100 | 100,692,002 |
| Equity | | | |
| Share capital | 92,749,889 | 92,947,551 | 92,919,797 |
| Other reserves | 90,929 | (464,505) | 1,240,354 |
| Retained earnings | 10,592,196 | 3,418,272 | 6,531,851 |
| Total shareholders' funds | 103,433,014 | 95,901,318 | 100,692,002 |
| Non-controlling interests | - | 31,782 | - |
| | 103,433,014 | 95,933,100 | 100,692,002 |
| Net asset value per share | \$0.76 | \$0.70 | \$0.74 |

Approved by:



Director

August 12, 2022



Director

Epley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Comprehensive Income
For the nine-month period ended June 30, 2022
(expressed in Barbados dollars)

| | Unaudited nine-month period ended October 1, 2021 - June 30, 2022 | Unaudited nine-month period ended October 1, 2020 - June 30, 2021 | Unaudited three-month period ended April 1, 2022 - June 30, 2022 | Unaudited three-month period ended April 1, 2021 - June 30, 2021 | Audited Year ended September 30, 2021 |
|--|---|---|--|--|--|
| | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Net rental income | 3,434,999 | 2,983,279 | 1,174,369 | 1,083,680 | 4,002,628 |
| Fair value gains on investment property | 1,121,452 | 136,298 | - | - | 941,410 |
| Share of profit investments using equity accounting | 4,007,584 | 1,415,142 | 1,921,447 | 550,822 | 3,518,530 |
| Interest income | 553,416 | 513,372 | 213,940 | 157,542 | 703,549 |
| Other income | - | 2,072 | (572) | 1,072 | 23,595 |
| Total investment income | 9,117,451 | 5,050,163 | 3,309,184 | 1,793,116 | 9,189,712 |
| Expenses | | | | | |
| Interest Expense | 947,465 | 692,260 | 283,043 | 318,927 | 1,042,819 |
| Fund management fees | 562,639 | 540,214 | 187,934 | 180,745 | 722,534 |
| Investment advisor fees | 562,639 | 540,214 | 187,934 | 180,745 | 722,534 |
| Professional fees | 353,268 | 307,723 | 145,219 | 87,348 | 611,166 |
| Directors and subcommittee fees | 2,520 | 2,490 | 840 | 830 | 3,320 |
| Office and administrative expenses | 12,443 | 14,943 | 5,302 | 6,725 | 22,282 |
| Impairment charge on receivables | - | 6,517 | - | 3,605 | 3,572 |
| Net foreign exchange loss | 108,128 | 185,789 | 70,909 | (6,822) | 46,329 |
| Operating expenditure | 2,549,102 | 2,290,150 | 881,181 | 772,103 | 3,174,556 |
| Profit before tax | 6,568,349 | 2,760,013 | 2,428,003 | 1,021,013 | 6,015,156 |
| Taxation | (146,694) | (123,953) | (34,680) | (8,846) | (259,484) |
| Net profit for the period | 6,421,655 | 2,636,060 | 2,393,323 | 1,012,167 | 5,755,672 |
| Other comprehensive income: | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | |
| Exchange differences on translation of foreign operations | (1,149,425) | (215,731) | 1,254,347 | (127,718) | 1,489,128 |
| Total comprehensive income for the period | 5,272,230 | 2,420,329 | 3,647,670 | 884,449 | 7,244,800 |
| Attributable to: | | | | | |
| Cellular property fund shareholders | 6,421,655 | 2,636,060 | 2,393,323 | 1,012,167 | 5,746,415 |
| Non-controlling interests | - | - | - | - | 9,257 |
| Total comprehensive income for the period | 6,421,655 | 2,636,060 | 2,393,323 | 1,012,167 | 5,755,672 |
| Earnings per share – basic and diluted | \$0.05 | \$0.02 | \$0.02 | \$0.01 | \$0.04 |

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Changes in Equity
For the nine-month period ended June 30, 2022
(expressed in Barbados dollars)

| | Attributable to Fund shareholders | | | | |
|---|-----------------------------------|------------------|-------------------|---------------------------|--------------------|
| | Share capital | Other Reserves | Retained earnings | Non-controlling interests | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Balance- October 1, 2020 | 93,259,667 | (248,774) | 1,840,072 | 31,782 | 94,882,747 |
| Repurchase of issued shares | (339,870) | - | 38,677 | - | (301,193) |
| Translation reserves | - | 1,489,128 | - | - | 1,489,128 |
| Dividend declared (0.008 cents per share) | - | - | (1,093,313) | - | (1,093,313) |
| Income for the year | - | - | 5,746,415 | 9,257 | 5,755,672 |
| Disposal of a subsidiary | - | - | - | (41,039) | (41,039) |
| Balance- September 30, 2021 | 92,919,797 | 1,240,354 | 6,531,851 | - | 100,692,002 |
| Repurchase of issued shares | (169,908) | - | 27,802 | - | (142,106) |
| Translation reserves | - | (1,149,425) | - | - | (1,149,425) |
| Dividend declared (1.6 cents per share) | - | - | (2,389,112) | - | (2,389,112) |
| Income for the period | - | - | 6,421,655 | - | 6,421,655 |
| Balance-June 30, 2022 | 92,749,889 | 90,929 | 10,592,196 | - | 103,433,014 |

Eppley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Changes in Equity
For the nine-month period ended June 30, 2021
(expressed in Barbados dollars)

| | Attributable to Fund shareholders | | | | |
|---|-----------------------------------|------------------|-------------------|---------------------------|-------------------|
| | Share capital | Other Reserves | Retained earnings | Non-controlling interests | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Balance- September 30, 2019 | 83,128,128 | (79,327) | 5,039,725 | 32,480 | 88,121,006 |
| Shares Issued | 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 (0.024 and 0.018 cents per share) | - | - | (5,122,644) | - | (5,122,644) |
| Income 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 |
| Repurchase of issued shares | (312,116) | - | 35,453 | - | (276,663) |
| Translation reserves | - | (215,731) | - | - | (215,731) |
| Dividend declared (0.008 cents per share) | - | - | (1,093,313) | - | (1,093,313) |
| Income for the period | - | - | 2,636,060 | - | 2,636,060 |
| Balance-June 30, 2021 | 92,947,551 | (464,505) | 3,418,272 | 31,782 | 95,933,100 |

Epley Caribbean Property Fund Limited SCC- Value Fund
Unaudited Consolidated Statement of Cashflows
For the nine-month period ended June 30, 2022
(expressed in Barbados dollars)

| | <u>Unaudited</u> <u>Nine months ended</u> <u>June 30, 2022</u> | <u>Unaudited</u> <u>Nine months ended</u> <u>June 30, 2021</u> | <u>Audited</u> <u>Year ended</u> <u>September 30, 2021</u> |
|--|--|--|--|
| | \$ | \$ | \$ |
| Cash flows from operating activities | | | |
| Total comprehensive income for the period | 6,568,349 | 2,760,013 | 6,015,156 |
| Adjustment for: | | | |
| Fair value gains on investment property | (1,121,452) | (136,298) | (941,410) |
| Net foreign exchange loss | 108,128 | 185,789 | 46,329 |
| Share of gains of investments accounted for using the equity method | (4,007,584) | (1,415,142) | (3,518,530) |
| Impairment charge for receivables | - | 3,605 | - |
| Depreciation | 1,012 | 1,552 | 2,058 |
| Interest income | (553,416) | (513,372) | (703,549) |
| Interest expense | 947,465 | 692,260 | 1,042,819 |
| Operating income before working capital changes | 1,942,502 | 1,578,407 | 1,942,873 |
| Net decrease/(increase) in accounts receivable and prepaid expenses | 167,209 | (656,604) | (499,597) |
| Net decrease in loans receivable | 2,000,000 | - | - |
| Net increase/(decrease) in accounts payable and accrued expenses | 1,106,756 | (1,233,649) | (1,529,827) |
| (Decrease)/Increase in security deposits | (12,265) | 77,082 | 169,027 |
| Net increase in due to/from related parties | (101,272) | (166,585) | (166,307) |
| Additions to investment property | (287,579) | (9,063,361) | (9,176,791) |
| Cash used in operations | (4,815,351) | (9,464,710) | (9,260,622) |
| Interest received | 481,582 | 513,372 | 697,149 |
| Interest paid | (858,156) | (508,088) | (959,233) |
| Tax paid | (143,659) | (134,688) | (198,731) |
| Net cash generated from/(used in) operating activities | 4,295,118 | (9,594,114) | (9,721,437) |
| Cash flows from investing activities | | | |
| Investment in associated companies | (284,685) | (13,900,000) | (11,200,000) |
| Distributions from associated companies | 1,209,515 | 729,664 | 942,243 |
| Acquisition of investment securities | (10,400,000) | - | - |
| Net cash used in financing activities | (9,475,170) | (13,170,336) | (10,257,757) |
| Cash flows from financing activities | | | |
| Shares repurchased | (142,106) | (276,663) | (301,193) |
| Distributions to non-controlling interests | - | - | (41,039) |
| Dividends paid | (2,389,112) | - | (1,093,313) |
| Loans received | 5,165,726 | 16,889,415 | 13,847,607 |
| Loans repaid | (5,582,286) | - | - |
| Net cash (used in)/generated from financing activities | (2,947,778) | 16,612,752 | 12,412,062 |
| Net decrease in cash and cash equivalents | (8,127,830) | (6,151,698) | (7,567,132) |
| Effects of foreign exchange rate changes on cash and cash equivalents | (31,521) | 114,733 | 7,361 |
| Cash and cash equivalents at beginning of the period | 16,329,159 | 23,888,930 | 23,888,930 |
| Cash and cash equivalents at end of the period | 8,169,808 | 17,851,965 | 16,329,159 |

TEN LARGEST SHAREHOLDERS
(as at June 30, 2022)

| | |
|--|------------|
| Musson Investments Limited | 15,090,792 |
| JCSD Trustee Services Ltd - Sigma Equity | 10,827,190 |
| 3119, SJIML A/C | 8,858,784 |
| ATL Group Pension Fund Trustee Nominee Limited | 8,622,274 |
| Fortress Caribbean Pension Fund Ltd - AA | 5,650,158 |
| Massy (Barbados) Ltd | 5,000,000 |
| Guardian Life Limited | 4,387,590 |
| Coconut Industry Board | 3,548,360 |
| NCB Insurance Agency and Fund Managers Ltd WT160 | 3,087,493 |
| NCB Insurance Agency and Fund Managers Ltd WT157 | 3,087,315 |

SHAREHOLDINGS OF DIRECTORS
(as at June 30, 2022)

| | Direct | Connected* |
|---------------------|---------------|-------------------|
| Nicholas A. Scott | 269,107 | 17,213,935 |
| Paul B. Scott | - | 17,007,932 |
| Melanie M. Subratie | - | 17,426,411 |
| Sharon E. Donaldson | 30,550 | 17,007,932 |
| 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, 2021. 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, 2021. 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