

# EPPLEY CARIBBEAN PROPERTY FUND LIMITED SCC – VALUE FUND

Audited Consolidated Results as at September 30, 2020 (expressed in Barbados Dollars)

## Chairman's Statement

The Value Fund generated net earnings attributable to shareholders of \$1.9 million in 2020 despite Covid 19 significantly impacting the business of some of our tenants. This compares to net earnings attributable to shareholders of \$3.9 million in 2019. The decline was mostly attributable to the Value Fund recording a net fair value loss on its investment properties in 2020, relative to a significant gain recorded in 2019. The fair value losses were related to some of the Value Fund's retail assets in Barbados which serve the duty free and tourist markets. These charges are recorded in our share of profits using equity accounting since the Value Fund owns minority stakes in the buildings most impacted.

Net Operating Income (NOI) attributable to shareholders, a measure of the Value Fund's share of rental income less its operating expenses, experienced a 21% decline to \$2.9 million in 2020. The decrease is mostly related to rent relief measures provided to tenants whose businesses were temporarily closed or severely impacted by a slowdown in travel due to Covid-19.

However, Funds from Operations (FFO) attributable to shareholders, a measure of the Value Fund's core operating profitability which includes interest income and expenses in addition to NOI, was \$2.8 million in 2020, a 2% increase relative to 2019. This improved performance was reflective of the Value Fund's increased liquidity and lower debt position this year.

FFO attributable to shareholders continues to be the Value Fund's yardstick with which we measure performance and is the basis upon which the Value Fund's dividend policy has been determined.

The net asset value of the Value Fund was \$0.69 per share at the end of 2020.

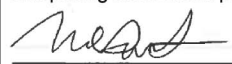
At the end of 2020, the Value Fund's portfolio consisted of twelve commercial properties in Barbados and Jamaica spanning over 600,000 square feet of rentable space.

This year the Value Fund successfully concluded the acquisition of two major properties, namely, the Hastings Business Centre in Barbados and 105-107 Marcus Garvey Drive in Jamaica. The acquisitions added over 100,000 square feet of prime real estate to the Value Fund and further diversified the portfolio by asset type and geographical scope.

The Value Fund ended the year with a cash balance of \$23.9 million, largely representing the remaining proceeds of our capital raise on the Jamaica Stock Exchange and reflective of the Value Fund's strategic decision earlier this year to carefully preserve liquidity in the face of Covid-19.

The Value Fund's increasingly diversified portfolio of high-quality commercial office and industrial assets in Barbados and Jamaica allowed us to remain profitable and continue to pay dividends to shareholders in a challenging operating environment created by Covid 19. The Value Fund concluded 2020 with a strong balance sheet and significant liquidity to continue its strategy to scale and diversify.

We look forward to engaging the investment community directly to share our plans and highlight the compelling investment proposition our shares offer at their current levels.



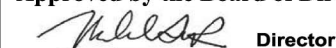
Chairman

## Consolidated Statement of Financial Position

As at September 30, 2020

|                                                                    | 2020<br>\$         | 2019<br>\$        |
|--------------------------------------------------------------------|--------------------|-------------------|
| <b>Value Fund Assets</b>                                           |                    |                   |
| Investment properties                                              | 62,822,668         | 39,328,765        |
| Investments in associated companies and joint arrangements         | 17,291,276         | 21,234,890        |
| Loan 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 and cash equivalents                                          | 23,888,930         | 34,253,482        |
| <b>Total assets</b>                                                | <b>108,902,947</b> | <b>99,726,488</b> |
| <b>Liabilities</b>                                                 |                    |                   |
| Loans payable                                                      | 10,580,000         | 10,728,501        |
| Accounts payable and accrued expenses                              | 2,945,649          | 495,545           |
| Security and advance deposits                                      | 317,566            | 327,021           |
| Deferred taxation                                                  | 122,363            | 42,836            |
| Taxation payable                                                   | 54,622             | 11,579            |
| <b>Total liabilities</b>                                           | <b>14,020,200</b>  | <b>11,605,482</b> |
| <b>Total assets less liabilities</b>                               | <b>94,882,747</b>  | <b>88,121,006</b> |
| <b>Equity</b>                                                      |                    |                   |
| <b>Capital and reserves attributable to the Group shareholders</b> |                    |                   |
| Share capital                                                      | 93,259,667         | 83,128,128        |
| Other reserves                                                     | (248,774)          | (79,327)          |
| Retained earnings                                                  | 1,840,072          | 5,039,725         |
| <b>Total shareholders' funds</b>                                   | <b>94,850,965</b>  | <b>88,088,526</b> |
| <b>Non-controlling interests</b>                                   | <b>31,782</b>      | <b>32,480</b>     |
|                                                                    | <b>94,882,747</b>  | <b>88,121,006</b> |
| <b>Net asset value per share</b>                                   | <b>\$0.69</b>      | <b>\$0.72</b>     |

Approved by the Board of Directors on December 28, 2020



Director



Director

## Consolidated Statement of Changes in Equity

For the year ended September 30, 2020

|                                                       | Share capital<br>\$ | Attributable to Fund shareholders<br>Other reserves<br>\$ | Retained earnings<br>\$ | Non-controlling interests<br>\$ | Total<br>\$       |
|-------------------------------------------------------|---------------------|-----------------------------------------------------------|-------------------------|---------------------------------|-------------------|
| <b>Value Fund</b>                                     |                     |                                                           |                         |                                 |                   |
| <b>Balance at September 30, 2018</b>                  | <b>37,209,540</b>   | <b>—</b>                                                  | <b>2,525,125</b>        | <b>2,902,055</b>                | <b>42,636,720</b> |
| Dividends declared 2.4 cents per share                | —                   | —                                                         | (1,335,666)             | —                               | (1,335,666)       |
| Issuance of shares                                    | 47,237,127          | —                                                         | —                       | —                               | 47,237,127        |
| Shares 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)       |
| <b>Total comprehensive income for the year</b>        | <b>—</b>            | <b>—</b>                                                  | <b>3,850,266</b>        | <b>32,926</b>                   | <b>3,883,192</b>  |
| <b>Balance at September 30, 2019</b>                  | <b>83,128,128</b>   | <b>(79,327)</b>                                           | <b>5,039,725</b>        | <b>32,480</b>                   | <b>88,121,006</b> |
| Dividends declared 2.4 cents and 1.8 cents per share  | —                   | —                                                         | (5,122,644)             | —                               | (5,122,644)       |
| Issuance of shares                                    | 10,689,600          | —                                                         | —                       | —                               | 10,689,600        |
| Shares issue costs                                    | (129,008)           | —                                                         | —                       | —                               | (129,008)         |
| Repurchase of issued shares                           | (429,053)           | —                                                         | 31,906                  | —                               | (397,147)         |
| Translation reserves                                  | —                   | (169,447)                                                 | —                       | —                               | (169,447)         |
| <b>Total comprehensive income/(loss) for the year</b> | <b>—</b>            | <b>—</b>                                                  | <b>1,891,085</b>        | <b>(698)</b>                    | <b>1,890,387</b>  |
| <b>Balance at September 30, 2020</b>                  | <b>93,259,667</b>   | <b>(248,774)</b>                                          | <b>1,840,072</b>        | <b>31,782</b>                   | <b>94,882,747</b> |

## Consolidated Statement of Comprehensive Income

For the year ended September 30, 2020

|                                                                             | 2020<br>\$       | 2019<br>\$       |
|-----------------------------------------------------------------------------|------------------|------------------|
| <b>Value Fund Revenue</b>                                                   |                  |                  |
| Net rental income                                                           | 2,945,551        | 1,800,499        |
| Fair value gains on investment property                                     | 3,410,549        | 2,019,150        |
| Share of (loss)/profit of investments accounted for using the equity method | (2,533,627)      | 2,947,930        |
| Gain on bargain purchase                                                    | —                | 74,325           |
| Interest income                                                             | 761,194          | 149,714          |
| Other income                                                                | 666              | 1,869            |
| <b>Total investment income</b>                                              | <b>4,584,333</b> | <b>6,993,487</b> |
| <b>Expenses</b>                                                             |                  |                  |
| Interest expense                                                            | 478,827          | 634,125          |
| Fund management fees                                                        | 652,643          | 298,137          |
| Investment advisor fees                                                     | 652,643          | 298,137          |
| Professional fees                                                           | 422,560          | 187,339          |
| Directors and subcommittee fees                                             | 3,200            | 2,560            |
| Office and administrative expenses                                          | 62,173           | 45,562           |
| Impairment charge for receivables                                           | 57,676           | 76,317           |
| Net foreign exchange loss                                                   | 201,410          | 1,565,676        |
| <b>Operating expenditure</b>                                                | <b>2,531,132</b> | <b>3,107,853</b> |
| <b>Profit before tax</b>                                                    | <b>2,053,201</b> | <b>3,885,634</b> |
| <b>Taxation</b>                                                             | <b>(162,814)</b> | <b>(2,442)</b>   |
| <b>Net profit for the year</b>                                              | <b>1,890,387</b> | <b>3,883,192</b> |
| <b>Other comprehensive income:</b>                                          |                  |                  |
| <b>Items that will not be reclassified to profit or loss</b>                |                  |                  |
| Exchange differences on translation of foreign operations                   | (169,447)        | 79,327           |
| <b>Total comprehensive income for the year</b>                              | <b>1,720,940</b> | <b>3,962,519</b> |
| <b>Attributable to:</b>                                                     |                  |                  |
| Cellular property fund shareholders                                         | 1,891,085        | 3,850,266        |
| Non-controlling interests                                                   | (698)            | 32,926           |
| <b>Total comprehensive income for the year</b>                              | <b>1,890,387</b> | <b>3,883,192</b> |
| <b>Earnings per share – basic and diluted</b>                               | <b>\$0.02</b>    | <b>\$0.06</b>    |

## Consolidated Statement of Cashflows

For the year ended September 30, 2020

|                                                                               | 2020<br>\$          | 2019<br>\$          |
|-------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Value Fund</b>                                                             |                     |                     |
| <b>Cash flows from operating activities</b>                                   |                     |                     |
| Total comprehensive income for the year                                       | 2,053,201           | 3,885,634           |
| <b>Adjustments for:</b>                                                       |                     |                     |
| Fair value gains on investment property                                       | (3,410,549)         | (2,019,150)         |
| Net foreign exchange loss                                                     | 201,410             | 1,565,676           |
| Share of (loss)/gains of investments accounted for using the equity method    | 2,533,627           | (2,947,930)         |
| Depreciation                                                                  | 2,024               | —                   |
| Interest income                                                               | (761,194)           | (149,714)           |
| Interest expense                                                              | 478,827             | 634,125             |
| <b>Operating income before working capital changes</b>                        | <b>1,097,346</b>    | <b>968,641</b>      |
| Operating income before working                                               | 84,788              | (46,723)            |
| Net decrease/(increase) in accounts receivable and prepaid expenses           | (3,746,558)         | 6,500,000           |
| (Increase)/decrease in loans receivable                                       | 236,730             | (1,570,546)         |
| Increase/(decrease) in accounts payable and accrued expenses                  | (5,198)             | 94,020              |
| (Decrease)/increase in security and advance deposits                          | (183,299)           | 330,217             |
| Net (decrease)/increase in due to/from related parties                        | (9,670,782)         | (12,872,552)        |
| Additions to investment properties                                            | 4,000,000           | (4,000,000)         |
| Decrease/(increase) in marketable securities                                  | —                   | —                   |
| Cash used in operations                                                       | (8,186,973)         | (10,596,943)        |
| Interest received                                                             | 761,194             | 117,979             |
| Interest paid                                                                 | (479,203)           | (633,749)           |
| Tax paid                                                                      | (34,358)            | —                   |
| <b>Net cash used in operating activities</b>                                  | <b>(7,939,340)</b>  | <b>(11,112,713)</b> |
| <b>Cash flows from investing activities</b>                                   |                     |                     |
| Distributions from associated companies                                       | 1,409,987           | 1,710,711           |
| <b>Net cash generated from investing activities</b>                           | <b>1,409,987</b>    | <b>1,710,711</b>    |
| <b>Cash flows from financing activities</b>                                   |                     |                     |
| <b>Net proceeds from issuance of shares</b>                                   | <b>(129,008)</b>    | <b>39,061,220</b>   |
| 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)         |
| <b>Net cash (used in)/ generated from financing activities</b>                | <b>(3,606,139)</b>  | <b>35,316,237</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                   | <b>(10,135,492)</b> | <b>25,914,235</b>   |
| <b>Effects of foreign exchange rates changes on cash and cash equivalents</b> | <b>(197,325)</b>    | <b>(1,930,061)</b>  |
| <b>Cash and cash equivalents – beginning of year</b>                          | <b>34,221,747</b>   | <b>10,237,573</b>   |
| <b>Cash and cash equivalents – end of year</b>                                | <b>23,888,930</b>   | <b>34,221,747</b>   |

## Notes to the Consolidated Financial Statements

### Note 1: Basis of Preparation

The abridged financial statements do not include accounting policies and the notes that are contained in the financial statements. The financial statements were prepared in accordance with International Financial Reporting Standards.