

EPPLEY LIMITED

SECOND QUARTER 2020



58 HALF WAY TREE ROAD
KINGSTON 10, JAMAICA, W.I.
P:(876) 929-8451/4 F:(876) 920-1458

August 14, 2020

Fellow Shareholders,

Eppley produced earnings per share of \$0.56 in the first half of 2020, a 17% return for shareholders so far this year.¹ At the end of the quarter, our net asset value was \$4.43 per share.

Proprietary Investment Portfolio

At the end of the quarter we owned a \$3.8 billion investment portfolio consisting of cash, loans, leases, receivables and investments in our mezzanine, real estate, infrastructure and asset management joint ventures and subsidiaries. The average income yield of our portfolio was 12%.

Asset Management Business

We also managed the equivalent of approximately US\$75 million of capital for investors at the end of the second quarter mainly through the Eppley Caribbean Property Fund and the Caribbean Mezzanine Fund.

Capitalization and Liquidity

Our leverage was 3.4x of our capital at the end of the quarter and our average cost of debt was 6%. We ended the quarter with \$417 million of cash.

¹ Based on a cost basis of \$3.21 per share which assumes an investor subscribed in the IPO and fully participated in our rights issue.

Financial Performance

Our profit after tax was \$107 million in the first half of 2020, 38% above the \$77 million we earned in first half of last year.

Our profits grew significantly despite a reduction in interest income caused by the termination of a few large factoring arrangements recorded in 2019 that expired this year.

Profitability growth was driven primarily by the expansion of our asset management business. Asset management fees and the dividends we receive from our subsidiaries and affiliates are reflected in our financial statements as other operating income. These income streams are stable and recurring and enhance the quality of Eppley's earnings and the resiliency of our business.

Dividend

Today the Board of Directors approved a dividend of 3.72 cents per share payable on September 15 to ordinary shareholders on record as of August 31.

Subject to the discretion of the Board of Directors, we expect to maintain our dividend policy in future periods.

Covid 19

Eppley remains well capitalized. Our proprietary portfolio is diversified, carefully underwritten and continues to perform. Our asset management business adds earnings largely insulated from credit or market risks.

Nevertheless, we remain vigilant. We expect the impact of Covid 19 to continue into the foreseeable future. Eppley's culture, investment philosophy and business model were developed to thrive in periods of uncertainty. We expect to spend the second half of 2020 carefully searching for opportunities to deploy capital.

Sincerely,



P.B. Scott
Chairman



Nicholas A. Scott
Managing Director

Eppley Limited
Consolidated Statement of Comprehensive Income
(Jamaican dollars in thousands)

	Unaudited 6 months ended Jun. 2020	Unaudited 6 months ended Jun. 2019	Unaudited 3 months ended Jun. 2020	Unaudited 3 months ended Jun. 2019	Audited 12 months ended Dec. 2019
Net Investment Income					
Interest Income	168,977	179,671	77,690	87,840	350,220
Interest expense	(101,430)	(95,135)	(51,401)	(49,833)	(197,004)
Net interest income	67,547	84,536	26,289	38,007	153,216
Other operating income	128,108	74,133	86,609	76,369	161,651
Administrative expenses	(86,571)	(84,421)	(45,360)	(46,951)	(163,958)
Net impairment of financial and contract assets	(29)	-	-	-	(1,169)
Share of net profit from joint venture	-	3,451	-	1,064	10,551
Profit before Taxation	109,055	77,699	67,538	68,489	160,291
Taxation	(2,006)	(1,270)	(939)	1,675	3,233
Net profit for the period	107,049	76,429	66,599	70,164	163,524
Other comprehensive income:					
<i>Items that will not be reclassified</i>					
Exchange differences on translation of foreign operations	2,814	696	1,929	260	26
Changes in fair value of equity investments at fair value through other comprehensive income	(3,835)	-	5,693	-	16,765
Other comprehensive (loss)/income for the period, net of taxes	(1,021)	696	7,622	260	16,791
Total comprehensive income for the period, net of taxes	106,028	77,125	74,221	70,370	180,315
EARNINGS PER SHARE (3)	\$0.56	\$0.40	\$0.35	\$0.37	\$0.85

Eppley Limited
Consolidated Statement of Financial Position
(Jamaican dollars in thousands)

	Unaudited Jun. 2020	Unaudited Jun. 2019	Audited Dec. 2019
ASSETS			
Cash and deposits	421,091	505,037	550,136
Taxation recoverable	12,593	10,159	12,286
Other receivables	176,111	128,227	127,084
Insurance premium financing receivables	135,736	515,159	156,393
Loans receivable	1,580,396	1,490,461	1,530,972
Lease receivables	480,485	534,422	500,774
Investment securities	921,788	-	880,649
Financial assets at fair value through profit or	-	372,891	-
Investment in joint ventures	47,513	130,335	47,513
Deferred tax asset	10,037	4,203	10,037
Right-of-use-asset	1,918	5,415	3,605
Property, plant and equipment	20,598	11,377	11,935
	<u>3,808,266</u>	<u>3,707,686</u>	<u>3,831,384</u>
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	2,819	1,280	2,578
Deferred tax liability	146	146	146
Borrowings	2,904,922	2,764,150	2,784,395
Lease liability	2,127	5,896	4,028
Other liabilities	43,530	158,019	174,676
	<u>2,955,197</u>	<u>2,931,144</u>	<u>2,967,476</u>
SHAREHOLDERS' EQUITY			
Share capital	492,343	492,343	492,343
Other reserves	2,117	(27)	(697)
Fair value reserves	12,930	-	16,765
Retained earnings	345,679	284,227	355,497
	<u>853,069</u>	<u>776,543</u>	<u>863,908</u>
	<u>3,808,266</u>	<u>3,707,686</u>	<u>3,831,384</u>

Approved by the Board of Directors on August 14, 2020 and signed on its behalf by:



Paul. B. Scott
Chairman



Nicholas A. Scott
Managing Director

Eppley Limited
Consolidated Statement of Changes in Equity
(Jamaican dollars in thousands)

	Share Capital	Fair value Reserves	Other Reserves	Retained Earnings	Total
Balance as at 1 January 2019 as restated	492,343	-	(723)	282,741	774,361
Net Profit for the period	-	-	-	76,429	76,429
Other comprehensive income for the period	-	-	696	-	696
Total comprehensive income for the period	-	-	696	76,429	77,125
Dividends	-	-	-	(74,943)	(74,943)
Balance as at 30 June 2019	492,343	-	(27)	284,227	776,543
Balance as at 31 December 2019 as originally presented	492,343	16,765	(697)	355,497	863,908
Net Profit for the period	-	-	-	107,048	107,048
Other comprehensive income for the period	-	(3,835)	2,814	-	(1,021)
Total comprehensive income for the period	-	(3,835)	2,814	107,048	31,768
Dividends	-	-	-	(116,867)	(116,867)
Balance as at 30 June 2020	492,343	12,930	2,117	345,679	853,069

Eppley Limited
Consolidated Statement of Cash Flows
(Jamaican dollars in thousands)

	Unaudited 6 months ended Jun. 2020	Unaudited 3 months ended Jun. 2019	Audited 12 months ended Dec. 2019
Cash Flows from Operating Activities			
Net profit	107,049	76,429	163,524
Adjustments for items not affecting cash:			
Depreciation	3,631	25,693	9,737
Amortisation	1,945	-	3,696
Interest income	(168,977)	(179,671)	(350,220)
Dividend income	(104)	-	(96)
Interest expense	101,430	95,135	197,004
Unrealised gain on investment securities	5,258	-	(20,572)
Lease liability adjustment	-	523	-
Expected credit loss	29	-	1,169
Gain on disposal of property, plant and equipment	(1,373)	-	-
Exchange gains on foreign currency denominated balances	(34,446)	(17,067)	1,015
Share of profits from joint venture	-	(3,451)	(10,551)
Taxation	2,006	1,270	(3,233)
	16,448	(2,185)	(8,527)
Changes in non-cash working capital components:			
Other receivables	(47,484)	5,575	12,447
Insurance premium financing receivables	22,620	(181,885)	187,053
Loans receivable	(1,906)	5,263	(35,500)
Lease receivables	22,512	48,072	82,031
Interest received	170,423	179,148	343,591
Dividend received	104	-	96
Lease liability	-	5,896	-
Other liabilities	(131,440)	5,036	27,274
	51,277	(64,920)	608,465
Tax withheld at source	(307)	(70)	(2,197)
Tax paid	(1,816)	-	(5,789)
Interest paid	(101,503)	(95,391)	(197,431)
Net cash provided by/(used in) operating activities	(52,349)	(30,541)	403,048

Eppley Limited
Consolidated Statement of Cash Flows (Cont'd)
(Jamaican dollars in thousands)

	Unaudited 6 months ended Jun. 2020	Unaudited 3 months ended Jun. 2019	Audited 12 months ended Dec. 2019
Cash Flows from Investing Activities			
Acquisition of investments	-	-	(444,891)
Additions to property, plant and equipment	(12,288)	(204)	(5,927)
Proceeds form sale of property, plant and equipment	1,373	-	-
Net cash (used) in investing activities	(10,915)	(204)	(450,818)
Cash Flows from Financing Activities			
Dividend paid	(116,867)	(74,943)	(90,768)
Right-of-use-asset	-	(5,887)	-
Lease liability repaid	(2,125)	(1,821)	(3,887)
Loans received	567,518	505,329	711,751
Loans repaid	(528,047)	(153,715)	(336,428)
Net cash provided by financing activities	(79,521)	268,963	280,668
Increase in net cash balance	(142,784)	238,218	232,898
Effects of foreign exchange rates changes on cash and cash equivalents	12,370	2,981	(4,533)
Cash and cash equivalents at beginning of year	463,337	234,972	234,972
CASH AND CASH EQUIVALENTS AT END OF PERIOD	332,922	476,171	463,337

Ten Largest Shareholders

(at June 30, 2020)

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nom Ltd.	38,428,635
Caribprop Limited	27,500,000
Perseverance Limited	23,753,134
Coldharbour Partners Inc.	14,744,350
Curmudgeon Limited	8,283,000
Michael Subratie	8,243,606
Ravers Limited	5,348,700
Caona Investments Limited	3,000,000
FirstCaribbean Int'l Sec. Ltd A/C B.U.T	1,130,307

Shareholdings of Directors

(at June 30, 2020)

	Direct	Connected *
Alexander Melville	-	-
Byron Thompson	483,750	-
Jennifer Scott	-	24,186,884
Keith Collister	-	38,428,635
Maxim Rochester	956,850	-
Melanie Subratie	-	60,628,540
Nicholas Scott	-	24,314,484
P.B. Scott	-	100,638,068
Sharon Donaldson	818,074	2,105,208

Shareholdings of Executives

(at June 30, 2020)

	Direct	Connected *
Jacquelin Watson	1,024,650	-
Justin Nam	851,420	-

* Includes connections by virtue of directorships and other affiliations in addition to indirect shareholdings.

1. Identification and Activities

Eppley Limited is a limited liability company incorporated and domiciled in Jamaica. The company is listed on the Main Market of the Jamaica Stock Exchange. The registered office of the company is located at 58 Half Way Tree Road, Kingston 10.

The principal activity of the company is investing in credit products including insurance premium financing, lease and loan financing.

2. Statement of Compliance and Basis of Preparation

These unaudited interim financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), and the relevant provisions of the Companies Act.

The interim financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets carried at fair value.

The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2019. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

3. Earnings Per Share

	Unaudited 6 months Jun. 2020	Unaudited 6 months Jun. 2019	Audited 12 months Dec. 2019
Net profit attributable to shareholders (\$'000)	107,048	76,429	163,524
Weighted average number of shares outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
Earnings per share (\$)	0.56	0.40	0.85

4. Cash and Cash Equivalents

	Unaudited 6 months Jun. 2020	Unaudited 6 months Jun. 2019	Audited 12 months Dec. 2019
Cash and bank balances	158,520	476,171	334,420
Term deposits	262,571	28,866	215,716
	<u>421,091</u>	<u>505,037</u>	<u>550,136</u>
Less: term deposits with maturity period in excess of ninety days	(84,443)	(28,126)	(84,443)
Less: interest receivable	(3,726)	(740)	(2,356)
	<u>332,922</u>	<u>476,171</u>	<u>463,337</u>
	<u><u>332,922</u></u>	<u><u>476,171</u></u>	<u><u>463,337</u></u>