





58 HALF WAY TREE ROAD  
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February 13, 2020

Fellow Shareholders,

Eppley produced earnings per share of \$0.82 in 2019, a 26% return for shareholders.<sup>1</sup> At the end of the year, our net asset value was \$4.47 per share.

#### Proprietary Investment Portfolio

At the end of the quarter we owned a \$3.8 billion investment portfolio consisting of loans, leases, receivables and investments in our real estate and asset management joint ventures and subsidiaries. The average income yield of our portfolio was 13%. Our capital-at-risk was less than 1% of capital.

#### Asset Management Business

We also managed the equivalent of US\$70 million of committed capital for investors through the Caribbean Mezzanine Fund and the Eppley Caribbean Property Fund.

#### Capitalization and Liquidity

Our leverage was 3.3x of our capital at the end of the quarter and our average cost of debt was 6%. We ended the quarter with \$548 million of cash.

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<sup>1</sup> 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 \$157.7 million in 2019, the largest in our history and significantly above the \$120.5 million we earned in 2019.

The net interest income on our proprietary investments and the management fees from our funds both increased significantly highlighting the continued improvement in the quality of our underlying business.

Additionally, we earned \$13.8 million of other comprehensive income last year mostly reflecting increases in the fair value of our investments.

Dividend

Today, the Board of Directors approved a dividend of 57 cents per share payable on April 3 to ordinary shareholders on record as of February 27.

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

Sincerely,



P.B. Scott  
Chairman



Nicholas A. Scott  
Managing Director

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

	<b>Unaudited 12 months ended Dec. 2019</b>	<b>Audited 12 months ended Dec. 2018</b>	<b>Unaudited 3 months ended Dec. 2019</b>	<b>Unaudited 3 months ended Dec. 2018</b>
<b>Net Investment Income</b>				
Interest Income	370,888	319,186	101,370	84,770
Interest expense	<u>(197,004)</u>	<u>(170,154)</u>	<u>(50,311)</u>	<u>(42,570)</u>
<b>Net interest income</b>	173,884	149,032	51,059	42,200
Other operating income	150,383	93,930	47,542	25,450
Administrative expenses	(174,527)	(137,939)	(49,517)	(39,793)
Net impairment of financial and contract assets	-	(922)	-	(922)
Share of net profit from joint venture accounted for using the equity method	<u>10,551</u>	<u>17,158</u>	<u>-</u>	<u>13,656</u>
Profit before Taxation	160,291	121,259	49,084	40,592
Taxation	<u>(2,601)</u>	<u>(776)</u>	<u>(912)</u>	<u>-</u>
Net profit for the period	<u>157,690</u>	<u>120,483</u>	<u>48,172</u>	<u>40,592</u>
Other comprehensive income:				
<i>Items that will not be reclassified</i>				
Exchange differences on translation of foreign operations	(2,971)	(723)	(3,508)	(1,194)
Changes in fair value of equity investments at fair value through other comprehensive income	<u>16,765</u>	<u>-</u>	<u>33,482</u>	<u>-</u>
<b>Other comprehensive income for the period, net of taxes</b>	<u>13,794</u>	<u>(723)</u>	<u>29,974</u>	<u>(1,194)</u>
<b>Total comprehensive income for the period, net of taxes</b>	<u><u>171,484</u></u>	<u><u>119,760</u></u>	<u><u>78,146</u></u>	<u><u>39,398</u></u>
<b>EARNINGS PER SHARE (3)</b>	<b>\$0.82</b>	<b>\$0.63</b>	<b>\$0.25</b>	<b>\$0.21</b>

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

	<b>Unaudited Dec. 2019</b>	<b>Audited Dec. 2018</b>
<b>ASSETS</b>		
Cash and deposits	551,583	263,315
Taxation recoverable	12,286	10,089
Other receivable	127,084	127,949
IPF receivables	156,393	323,282
Loans receivable	1,530,972	1,470,267
Lease receivable	500,774	580,508
Financial assets	879,202	363,763
Investment in joint venture	47,513	126,884
Deferred taxation	4,203	4,203
Right-of-use-asset	3,605	-
Property, plant and equipment	11,935	15,746
	<u><b>3,825,550</b></u>	<u><b>3,286,006</b></u>
<b>LIABILITIES</b>		
Due to related parties	1,653	1,653
Taxation payable	2,578	5,766
Deferred taxation	146	146
Borrowings	2,784,395	2,343,523
Lease liability	4,028	-
Other liabilities	173,171	160,034
	<u><b>2,965,971</b></u>	<u><b>2,511,122</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	492,343	492,343
Other reserves	20,247	(723)
Fair value reserves	(4,179)	-
Retained earnings	351,168	283,264
	<u><b>859,579</b></u>	<u><b>774,884</b></u>
	<u><b>3,825,550</b></u>	<u><b>3,286,006</b></u>

Approved by the Board of Directors on February 13, 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)*

	<b>Share Capital</b>	<b>Fair value Reserves</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance as at 1 January 2018 as restated	492,343	-	-	215,864	708,207
Net Profit for the period	-	-	-	120,483	120,483
Other comprehensive income for the period	-	-	(723)	-	(723)
Total comprehensive income for the period	492,343	-	(723)	336,347	827,967
Dividends	-	-	-	(53,083)	(53,083)
<b>Balance as at 31 December 2018</b>	<b>492,343</b>	<b>-</b>	<b>(723)</b>	<b>283,264</b>	<b>774,884</b>
<b>Balance as at 31 December 2018 as originally presented</b>	492,343	-	(723)	283,264	774,884
Effect of adopting new standard (IFRS 16)	-	-	-	(523)	(523)
Restated balance as at 1 January 2019	492,343	-	(723)	282,741	774,361
Net Profit for the period	-	-	-	157,690	157,690
Other comprehensive income for the period	-	(4,179)	20,970	-	16,791
Total comprehensive income for the period	492,343	(4,179)	20,247	440,431	948,842
Dividends	-	-	-	(89,263)	(89,263)
<b>Balance as at 31 December 2019</b>	<b>492,343</b>	<b>(4,179)</b>	<b>20,247</b>	<b>351,168</b>	<b>859,579</b>

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

	<b>Unaudited 12 months ended Dec. 2019</b>	<b>Audited 12 months ended Dec. 2018</b>
<b>Cash Flows from Operating Activities</b>		
Net profit	157,690	120,483
Adjustments for items not affecting cash:		
Depreciation	9,738	8,848
Interest income	(370,888)	(319,616)
Dividend income	(3,139)	
Interest expense	197,004	170,154
Unrealised gain on investment securities	(20,572)	(12,858)
Expected credit loss	(523)	922
Gain on disposal of property, plant and equipment	-	(3,918)
Exchange gains on foreign currency denominated balances	1,015	(64)
Share of profits from joint venture	(10,551)	(17,158)
Taxation	2,601	(776)
	<u>(37,625)</u>	<u>(53,983)</u>
<b>Changes in non-cash working capital components:</b>		
Other receivables	33,339	(55,756)
Insurance premium financing receivables	166,889	(269)
Loans receivable	(35,062)	(327,865)
Lease receivables	82,031	(198,194)
Interest received	367,302	319,616
Dividend received	96	
Lease liability	4,028	-
Other liabilities	28,313	117,102
	<u>609,311</u>	<u>(199,349)</u>
Tax withheld at source	(7,986)	(1,122)
Interest paid	(197,431)	(148,018)
<b>Net cash provided by/(used in) operating activities</b>	<u>403,894</u>	<u>(348,489)</u>

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

	<b>Unaudited 12 months ended Dec. 2019</b>	<b>Audited 12 months ended Dec. 2018</b>
<b>Cash Flows from Investing Activities</b>		
Term deposits with maturity periods in excess of 90	-	-
Acquisition of investments	(495,791)	(270,033)
Acquisition of investment in joint venture	(40,650)	-
Proceed from sale of investments	-	77,894
Proceeds from sale of joint venture	88,533	-
Proceeds from sale of property, plant and equipment	-	5,662
Additions to property, plant and equipment	(5,927)	(14,644)
	<u>(453,835)</u>	<u>(201,121)</u>
<b>Net cash (used) in investing activities</b>		
<b>Cash Flows from Financing Activities</b>		
Dividend paid	(89,263)	(53,083)
Right-of-use-asset	(4,012)	-
Lease liability repaid	(2,749)	-
Loans received	711,751	2,012,047
Loans repaid	(336,428)	(1,385,031)
	<u>279,299</u>	<u>573,933</u>
<b>Net cash provided by financing activities</b>		
Increase in net cash balance	229,358	24,323
Effects of foreign exchange rates changes on cash and cash equivalents	4,533	1,586
	<b>234,972</b>	<b>209,063</b>
<b>Cash and cash equivalents at beginning of year</b>		
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><b>468,863</b></u>	<u><b>234,972</b></u>



## Ten Largest Shareholders

(at December 31, 2019)

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	8,040,450
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 December 31, 2019)

	Direct	Connected *
Alexander Melville	-	-
Byron Thompson	483,750	-
Jennifer Scott	-	24,186,884
Keith Collister	-	38,428,635
Maxim Rochester	956,850	-
Melanie Subratie	-	60,425,384
Nicholas Scott	-	24,314,484
P.B. Scott	-	100,638,068
Sharon Donaldson	786,450	2,073,584

## Shareholdings of Executives

(at December 31, 2019)

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

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\* 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, 2018, except for the adoption of IFRS 16 at January 1, 2019. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

### **IFRS 16 ‘Leases’**

**IFRS 16** (effective for annual periods beginning on or after 1 January 2019). This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. It replaces the guidance in IAS 17, which made a distinction in classification between leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset (finance leases) and those that do not (operating leases). For a lessee, finance leases were recognised as an asset that was depreciated over the lease term and the amount due to the lessor recognised as borrowings. Operating leases were recognised as a periodic rental payment that was treated as a current expense in the income statement.

IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognise a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets. For lessors, the accounting stays almost the same.

In addition, an interest expense on the lease liability and depreciation on the right-of-use asset will be presented in the income statement. In comparison with operating leases under IAS 17, this change will not only affect the allocation of expenses but also affect the total amount of expenses recognised for each period of the lease term. The combination of a straight line depreciation of the right-of use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term.

The Group applied the simplified transition approach that allows the measurement of the right-of-use assets at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses), rather than full retrospective application. In addition, as a practical expedient, the Group is not required to reassess whether a contract is, or contains, a lease at the date of initial application (that is, such contracts are ‘grandfathered’). As further provided under this approach, comparatives for 2018 will not be restated.

The Group has adopted IFRS 16 with effect from 1 January 2019 and the impact of this adoption is \$0.523m.

### 3. Earnings Per Share

	<b>Unaudited 12 months Dec. 2019</b>	<b>Audited 12 months Dec. 2018</b>	<b>Unaudited 3 months Dec. 2019</b>	<b>Unaudited 3 months Dec. 2018</b>	<b>Audited 12 months Dec. 2018</b>
Net profit attributable to shareholders (\$'000)	157,690	120,483	48,172	40,592	120,483
Weighted average number of shares outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
<b>Earnings per share (\$)</b>	<b>0.82</b>	<b>0.63</b>	<b>0.25</b>	<b>0.21</b>	<b>0.63</b>

4. **Cash and Cash Equivalents**

	<b>Unaudited 12 months Dec. 2019</b>	<b>Audited 12 months Dec. 2018</b>
Cash and bank balances	334,420	234,972
Term deposits	217,163	28,343
	<u>551,583</u>	<u>263,315</u>
Less: term deposits with maturity period in excess of ninety days	(78,917)	(28,126)
	(3,803)	(217)
Less: interest receivable	<u>468,863</u>	<u>234,972</u>