

EPPLEY LIMITED

FOURTH QUARTER 2020



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

February 12, 2021

Fellow Shareholders,

Eppley produced earnings per share of \$1.15 in 2020, a 36% return for shareholders.¹ At the end of the quarter, our net asset value was \$5.19 per share.

Proprietary Investment Portfolio

At the end of the quarter we owned a \$4.0 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\$80 million of capital for investors at the end of the year mainly through the Eppley Caribbean Property Fund and the Caribbean Mezzanine Fund.

Capitalization and Liquidity

Our leverage was 2.9x of our capital at the end of the year and our average cost of debt was 7%. We ended the quarter with over \$680 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 \$221 million in 2020, more than 35% above the \$164 million in 2019.

Our profits grew significantly despite a reduction in interest income. Profitability growth was driven mostly 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 quality of Epley's earnings and the resiliency of our business.

Dividend

Today the Board of Directors approved a dividend of 83 cents per share payable on April 23 to ordinary shareholders on record as of April 5.

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

Covid 19

Epley 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.

We expect to focus on carefully deploying our excess liquidity and continuing to grow our asset management business in 2021.

Sincerely,



Nicholas A. Scott
Managing Director



Melanie Subratie
Director

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

	Unaudited 12 months ended Dec. 2020	Audited 12 months ended Dec. 2019	Unaudited 3 months ended Dec. 2020	Unaudited 3 months ended Dec. 2019
Net Investment Income				
Interest Income	335,567	350,220	87,896	101,370
Interest expense	<u>(207,676)</u>	<u>(197,004)</u>	<u>(53,748)</u>	<u>(50,311)</u>
Net interest income	127,891	153,216	34,148	51,059
Other operating income	277,566	161,651	85,499	47,542
Administrative expenses	(189,894)	(163,958)	(59,183)	(49,517)
Net impairment of financial and contract assets	(321)	(1,169)	(294)	-
Share of net profit/(loss) from joint venture accounted for using the equity method	<u>10,817</u>	<u>10,551</u>	<u>(193)</u>	<u>-</u>
Profit before Taxation	226,059	160,291	59,977	49,084
Taxation	<u>(5,130)</u>	<u>3,233</u>	<u>(3,703)</u>	<u>(912)</u>
Net profit for the year	<u>220,929</u>	<u>163,524</u>	<u>56,274</u>	<u>48,172</u>
Other comprehensive income:				
<i>Items that will not be reclassified</i>				
Exchange differences on translation of foreign operations	2,589	26	14	(3,508)
Changes in fair value of equity investments at fair value through other comprehensive income	<u>43,345</u>	<u>16,765</u>	<u>43,326</u>	<u>33,482</u>
Other comprehensive income for the year, net of taxes	<u>45,934</u>	<u>16,791</u>	<u>43,340</u>	<u>29,974</u>
Total comprehensive income for the year, net of taxes	<u>266,863</u>	<u>180,315</u>	<u>99,614</u>	<u>78,146</u>
EARNINGS PER SHARE (3)	\$1.15	\$0.85	\$0.29	\$0.25

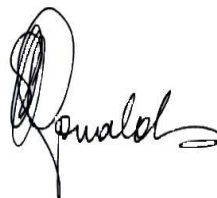
Eppley Limited
Consolidated Statement of Financial Position
(Jamaican dollars in thousands)

	Unaudited Dec. 2020	Audited Dec. 2019
ASSETS		
Cash and deposits	680,589	550,136
Taxation recoverable	14,443	12,286
Other receivables	201,151	127,084
Insurance premium financing receivables	135,871	156,393
Loans receivable	1,452,660	1,530,972
Lease receivables	587,168	500,774
Investment securities	977,869	880,649
Investment in joint ventures	58,331	47,513
Deferred tax asset	10,037	10,037
Right-of-use-asset	1,069	3,605
Property, plant and equipment	17,434	11,935
	4,136,622	3,831,384
	4,136,622	3,831,384
LIABILITIES		
Due to related parties	1,653	1,653
Taxation payable	5,093	2,578
Deferred tax liability	-	146
Borrowings	2,916,890	2,784,395
Lease liability	1,069	4,028
Other liabilities	212,332	174,676
	3,137,037	2,967,476
	3,137,037	2,967,476
SHAREHOLDERS' EQUITY		
Share capital	492,343	492,343
Other reserves	1,892	(697)
Fair value reserves	60,110	16,765
Retained earnings	445,240	355,497
	999,585	863,908
	4,136,622	3,831,384

Approved by the Board of Directors on February 12, 2021 and signed on its behalf by:



Nicholas A. Scott
Managing Director



Sharon Donaldson
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	492,343	-	(723)	282,741	774,361
Net Profit for the year	-	-	-	163,524	163,524
Other comprehensive income for the year	-	16,765	26	-	16,791
Total comprehensive income for the year	-	16,765	26	163,524	180,315
Dividends	-	-	-	(90,768)	(90,768)
Balance as at 31 December 2019	492,343	16,765	(697)	355,497	863,908
Balance as at 1 January 2020	492,343	16,765	(697)	355,497	863,908
Net Profit for the year	-	-	-	220,929	220,929
Other comprehensive income for the year	-	43,345	2,589	-	45,934
Total comprehensive income for the year	-	43,345	2,589	220,929	266,863
Dividends	-	-	-	(131,186)	(131,186)
Balance as at 31 December 2020	492,343	60,110	1,892	445,240	999,585

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

	Unaudited 12 months ended Dec. 2020	Audited 12 months ended Dec. 2019
Cash Flows from Operating Activities		
Net profit for the year	220,929	163,524
Adjustments for items not affecting cash:		
Depreciation	8,171	9,737
Amortisation	3,968	3,696
Interest income	(335,567)	(350,220)
Dividend income	(2,660)	(96)
Interest expense	207,676	197,004
Unrealised loss/(gain) on investment securities	11,171	(20,572)
Expected credit loss	385	1,169
Gain on disposal of property, plant and equipment	(1,373)	-
Exchange gains on foreign currency denominated balances	(62,261)	1,015
Share of profits from joint venture	(10,818)	(10,551)
Taxation	5,130	(3,233)
	<u>44,751</u>	<u>(8,527)</u>
Changes in non-cash working capital components:		
Other receivables	(77,702)	12,447
Insurance premium financing receivables	21,837	187,053
Loans receivable	148,878	(35,500)
Lease receivables	(83,866)	82,031
Interest received	331,988	343,591
Dividend received	2,660	96
Other liabilities	35,605	27,274
	<u>424,151</u>	<u>608,465</u>
Tax withheld at source	(2,157)	(2,197)
Tax paid	(2,734)	(5,789)
Interest paid	(192,337)	(197,431)
Net cash provided by operating activities	<u>226,923</u>	<u>403,048</u>

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

	Unaudited 12 months ended Dec. 2020	Audited 12 months ended Dec. 2019
Cash Flows from Investing Activities		
Acquisition of investments	-	(444,891)
Proceed from sale of investments	86,575	-
Proceeds from sale of property, plant and equipment	1,373	-
Additions to property, plant and equipment	(13,665)	(5,927)
Net cash provided by/(used in) investing activities	<u>74,283</u>	<u>(450,818)</u>
Cash Flows from Financing Activities		
Dividend paid	(131,186)	(90,768)
Lease liability repaid	(4,337)	(3,887)
Loans received	572,484	711,751
Loans repaid	(533,570)	(336,428)
Net cash (used in)/provided by financing activities	<u>(96,609)</u>	<u>280,668</u>
Increase in net cash balance	204,597	232,898
Effects of foreign exchange rates changes on cash and cash equivalents	12,432	(4,533)
Cash and cash equivalents at beginning of year	<u>463,337</u>	<u>234,972</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>680,366</u></u>	<u><u>463,337</u></u>

Ten Largest Shareholders

(at December 31, 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	1,154,190

Shareholdings of Directors

(at December 31, 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	868,074	2,155,208

Shareholdings of Executives

(at December 31, 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 12 months Dec. 2020	Audited 12 months Dec. 2020	Unaudited 3 months Dec. 2020	Unaudited 3 months Dec. 2019
Net profit attributable to shareholders (\$'000)	220,930	163,524	56,275	48,172
Weighted average number of shares outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
Earnings per share (\$)	1.15	0.85	0.29	0.25

4. Cash and Cash Equivalents

	Unaudited 12 months Dec. 2020	Audited 12 months Dec. 2019
Cash and bank balances	581,654	334,420
Term deposits	98,935	215,716
	<u>680,589</u>	<u>550,136</u>
Less: term deposits with maturity period in excess of ninety days	-	(84,443)
	(223)	(2,356)
Less: interest receivable	<u>680,366</u>	<u>463,337</u>
	<u><u>680,366</u></u>	<u><u>463,337</u></u>