

# EPPLEY LIMITED

FIRST QUARTER 2021



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

May 14, 2021

Fellow Shareholders,

Eppley produced earnings per share of \$0.26 in the first quarter of 2021, an 8% return for shareholders.<sup>1</sup>

#### Proprietary Investment Portfolio

At the end of the quarter we owned a \$4.3 billion investment portfolio consisting of cash, loans, leases, credit receivables and investments in our mezzanine, real estate, infrastructure and asset management joint ventures and subsidiaries. The average income yield of our portfolio was 13% and 17% excluding our large cash balances.

#### Asset Management Business

We also managed over US\$100 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 3.9x of our capital at the end of the year and our average cost of debt was 7%. We ended the quarter with over \$795 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 in the first quarter was \$51 million or 26% above the \$40 million we earned in the first quarter of 2020.

Interest income was down sharply on account of both lower loan volumes and lower weighted average interest rates. We also experienced an FX loss in the quarter. These negative factors were more than compensated for by the continued strong performance of our asset management business.

### Dividend

Today the Board of Directors approved a dividend of 3.72 cents per share payable on June 11 to ordinary shareholders on record as of May 28.

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

### Outlook

Eppley remains well capitalized with ample "dry powder" on its balance sheet and in its funds. Our business model, culture and investment philosophy are designed to thrive in current market environment.

As we look ahead we are cautiously optimistic about the opportunities we see to put significant capital to work on behalf of our investors and shareholders in 2021.

Sincerely,

The image shows two handwritten signatures in black ink. The signature on the left is for P.B. Scott, and the signature on the right is for Nicholas A. Scott. Both signatures are fluid and cursive.

P.B. Scott  
Chairman

Nicholas A. Scott  
Managing Director

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

	<b>Unaudited 3 months ended Mar. 2021</b>	<b>Unaudited 3 months ended Mar. 2020</b>	<b>Audited 12 months ended Dec. 2020</b>
<b>Net Investment Income</b>			
Interest Income	71,385	91,287	332,908
Interest expense	<u>(54,049)</u>	<u>(50,029)</u>	<u>(207,676)</u>
<b>Net interest income</b>	17,336	41,258	125,232
Asset management income	73,001	34,224	194,242
Other operating income	10,817	7,275	85,984
Administrative expenses	(49,514)	(41,212)	(190,162)
Net impairment of financial and contract assets	285	(67)	(939)
Share of net profit from joint venture	<u>-</u>	<u>-</u>	<u>10,817</u>
Profit before Taxation	51,925	41,478	225,174
Taxation	<u>(1,041)</u>	<u>(1,067)</u>	<u>168</u>
Net profit for the period	<u>50,884</u>	<u>40,411</u>	<u>225,342</u>
Other comprehensive income:			
<i>Items that will not be reclassified</i>			
Exchange differences on translation of foreign operations	3,387	885	2,589
Changes in fair value of equity investments at fair value through other comprehensive income	<u>(3,355)</u>	<u>(9,528)</u>	<u>43,346</u>
<b>Other comprehensive income/(loss) for the period, net of taxes</b>	<u>32</u>	<u>(8,643)</u>	<u>45,935</u>
<b>Total comprehensive income for the period, net of taxes</b>	<u><b>50,916</b></u>	<u><b>31,768</b></u>	<u><b>271,277</b></u>
<b>EARNINGS PER SHARE (3)</b>	<b>\$0.26</b>	<b>\$0.21</b>	<b>\$1.17</b>

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

	Unaudited Mar. 2021	Unaudited Mar. 2020	Audited Dec. 2020
<b>ASSETS</b>			
Cash and deposits	795,931	615,393	680,589
Taxation recoverable	14,759	12,298	14,443
Other receivables	220,717	144,578	201,153
Insurance premium financing receivables	100,520	141,849	135,861
Loans receivable	1,333,054	1,632,282	1,452,154
Lease receivables	708,849	518,878	587,129
Investment securities	1,023,365	883,374	977,869
Investment in joint ventures	58,339	47,513	58,331
Deferred tax asset	15,251	10,037	15,251
Right-of-use-asset	5,075	2,761	1,069
Property, plant and equipment	15,481	17,566	17,433
	<u><b>4,291,341</b></u>	<u><b>4,026,529</b></u>	<u><b>4,141,282</b></u>
<b>LIABILITIES</b>			
Due to related parties	1,653	1,653	1,653
Taxation payable	2,451	1,829	5,010
Deferred tax liability	-	146	-
Borrowings	2,962,266	2,946,306	2,916,890
Lease liability	5,195	3,044	1,069
Other liabilities	424,610	287,582	212,661
	<u><b>3,396,175</b></u>	<u><b>3,240,560</b></u>	<u><b>3,137,283</b></u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	492,343	492,343	492,343
Other reserves	5,279	188	1,892
Fair value reserves	56,756	7,237	60,111
Retained earnings	340,788	286,201	449,653
	<u><b>895,166</b></u>	<u><b>785,969</b></u>	<u><b>1,003,999</b></u>
	<u><b>4,291,341</b></u>	<u><b>4,026,529</b></u>	<u><b>4,141,282</b></u>

Approved by the Board of Directors on May 14, 2021, 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>
<b>Balance as at 31 December 2019</b>	492,343	16,765	(697)	355,497	863,908
Net Profit for the period	-	-	-	40,411	40,411
Other comprehensive income for the period	-	(9,528)	885	-	(8,643)
Total comprehensive income for the period	-	(9,528)	885	40,411	31,768
Dividends	-	-	-	(109,707)	(109,707)
<b>Balance as at 31 March 2020</b>	<b>492,343</b>	<b>7,237</b>	<b>188</b>	<b>286,201</b>	<b>785,969</b>
<b>Balance as at 31 December 2020</b>	492,343	60,111	1,892	449,653	1,003,999
Net Profit for the period	-	-	-	50,884	50,884
Other comprehensive income for the period	-	(3,355)	3,387	-	32
Total comprehensive income for the period	-	(3,355)	3,387	50,884	50,916
Dividends	-	-	-	(159,749)	(159,749)
<b>Balance as at 31 March 2021</b>	<b>492,343</b>	<b>56,756</b>	<b>5,279</b>	<b>340,788</b>	<b>895,166</b>

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

	<b>Unaudited 3 months ended Mar. 2021</b>	<b>Unaudited 3 months ended Mar. 2020</b>	<b>Audited 12 months ended Dec. 2020</b>
<b>Cash Flows from Operating Activities</b>			
Net profit	50,884	40,411	225,342
Adjustments for items not affecting cash:			
Depreciation	2,434	2,226	8,167
Amortisation	1,130	4,765	3,968
Interest income	(71,385)	(91,287)	(332,908)
Dividend income	(18,846)	(104)	(2,660)
Interest expense	54,049	50,029	207,676
Unrealised loss on investment securities	12,267	-	11,171
Expected credit loss	(285)	67	939
Gain on disposal of property, plant and equipment	-	(1,373)	(1,373)
Exchange losses/(gains) on foreign currency denominated balances	581	(1,191)	(55,560)
Share of profits from joint venture	-	-	(10,817)
Taxation	1,041	1,067	(168)
	<b>31,870</b>	<b>4,610</b>	<b>53,777</b>
<b>Changes in non-cash working capital components:</b>			
Other receivables	(20,288)	(14,743)	(81,389)
Insurance premium financing receivables	36,579	15,930	21,837
Loans receivable	130,524	(90,160)	148,878
Lease receivables	(121,444)	(17,142)	(83,866)
Interest received	73,941	92,272	329,329
Dividend received	18,846	104	2,660
Other liabilities	209,593	112,365	35,934
	<b>359,621</b>	<b>103,236</b>	<b>427,160</b>
Tax withheld at source	(316)	(12)	(2,157)
Tax paid	(3,729)	(1,816)	(2,733)
Interest paid	(48,339)	(50,094)	(188,651)
<b>Net cash provided by operating activities</b>	<b>307,237</b>	<b>51,314</b>	<b>233,619</b>

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

	<b>Unaudited 3 months ended Mar. 2021</b>	<b>Unaudited 3 months ended Mar. 2020</b>	<b>Audited 12 months ended Dec. 2020</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of investments	(43,993)	-	-
Proceeds from sale of investments	(2,554)	-	86,575
Additions to property, plant and equipment	(482)	(7,857)	(13,664)
Proceeds from sale of property, plant and equipment	-	1,373	1,373
<b>Net cash (used in)/provided by investing activities</b>	<b>(47,029)</b>	<b>(6,484)</b>	<b>74,284</b>
<b>Cash Flows from Financing Activities</b>			
Dividend paid	(159,749)	(109,707)	(131,186)
Lease liability repaid	(1,130)	(1,081)	(4,337)
Loans received	-	523,933	572,484
Loans repaid	-	(389,056)	(540,269)
<b>Net cash (used in)/provided by financing activities</b>	<b>(160,879)</b>	<b>24,089</b>	<b>(103,308)</b>
Increase in net cash balance	99,329	68,919	204,595
Effects of foreign exchange rates changes on cash and cash equivalents	13,459	(4,632)	12,432
<b>Cash and cash equivalents at beginning of year</b>	<b>680,364</b>	<b>463,337</b>	<b>463,337</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>793,152</b>	<b>527,624</b>	<b>680,364</b>



**Ten Largest Shareholders**  
(at March 31, 2021)

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nom Ltd.	38,428,635
Caribprop Limited	27,500,000
Perseverance Limited	23,353,134
Coldharbour Partners Inc.	14,744,350
Curmudgeon Limited	8,284,000
Michael Subratie	8,243,606
Ravers Limited	5,348,700
Caona Investments Limited	3,000,000
Imperium Investments Holdings Limited	1,303,040

**Shareholdings of Directors**  
(at March 31, 2021)

	Direct	Connected *
Alexander Melville	-	-
Byron Thompson	483,750	-
Jennifer Scott	-	23,786,884
Keith Collister	-	38,428,635
Maxim Rochester	956,850	-
Melanie Subratie	-	60,628,540
Nicholas Scott	-	24,314,484
P.B. Scott	-	99,387,684
Sharon Donaldson	868,074	1,304,824

**Shareholdings of Executives**  
(at March 31, 2021)

	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 and providing asset management services.

**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, 2020. 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**

	<b>Unaudited 3 months Mar. 2021</b>	<b>Unaudited 3 months Mar. 2020</b>	<b>Audited 12 months Dec. 2020</b>
Net profit attributable to shareholders (\$'000)	50,884	40,411	225,342
Weighted average number of shares outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
<b>Earnings per share (\$)</b>	<b>0.26</b>	<b>0.21</b>	<b>1.17</b>

#### 4. Cash and Cash Equivalents

	<b>Unaudited 3 months Mar. 2021</b>	<b>Unaudited 3 months Mar. 2020</b>	<b>Audited 12 months Dec. 2020</b>
Cash and bank balances	407,887	415,982	334,420
Term deposits	388,044	199,411	215,716
	<u>795,931</u>	<u>615,393</u>	<u>550,136</u>
Less: term deposits with maturity period in excess of ninety days	-	(84,443)	(84,443)
Less: interest receivable	(2,779)	(3,326)	(2,356)
	<u>793,152</u>	<u>527,624</u>	<u>463,337</u>