

EPPLEY LIMITED

THIRD QUARTER 2018

November 9, 2018

Fellow Shareholders,

Eppley produced earnings per share of \$0.42 in the first three quarters of 2018, a 13.1% return for shareholders.¹ At the end of the quarter, our net asset value was \$3.85 per share.

Portfolio

At the end of the quarter we owned a \$3.1 billion investment portfolio consisting loans, leases, receivables and our investments in 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.

Capitalization and Liquidity

Our leverage was 3.2x of our capital at the end of the quarter and our average cost of debt was 7%. We ended the quarter with \$382 million of liquidity.

Financial Performance

Our profit after tax was \$80.7 million in the first three quarters of 2018. In the same period last year, we earned \$51.6 million.

Dividend

Today, the Board of Directors approved a dividend of 3.72 cents per share payable on December 18 to ordinary shareholders on record as of December 4.

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.

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

Sincerely,

Handwritten signature of P.B. Scott, consisting of stylized initials and a large loop.

P.B. Scott
Chairman

Handwritten signature of Nicholas A. Scott, written in a cursive style.

Nicholas A. Scott
Managing Director

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

	Unaudited 9 months ended Sep. 2018	Unaudited 9 months ended Sep. 2017	Unaudited 3 months ended Sep. 2018	Unaudited 3 months ended Sep. 2017	Audited 12 months ended Dec. 2017
Net Investment Income					
Interest Income	234,416	190,964	84,613	66,734	261,407
Interest expense	(127,584)	(116,544)	(44,591)	(42,655)	(158,394)
Net interest income	106,832	74,420	40,022	24,079	103,013
Other operating income	68,480	39,483	34,264	16,717	36,892
Administrative expenses	(98,146)	(63,139)	(38,873)	(20,503)	(87,895)
Share of net profit from joint venture accounted for using the equity method	3,502	833	633	759	16,131
Profit before Taxation	80,667	51,596	36,046	21,052	68,141
Taxation	-	-	-	-	1,082
Profit for the period	80,667	51,596	36,046	21,052	69,223
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences on the net assets of foreign subsidiary	471	-	471	-	-

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

	Unaudited 9 months ended Sep. 2018	Unaudited 9 months ended Sep. 2017	Unaudited 3 months ended Sep. 2018	Unaudited 3 months ended Sep. 2017	Audited 12 months ended Dec. 2017
Other comprehensive income for the period	471	-	471	-	-
Total comprehensive income for the period	<u>81,138</u>	<u>51,596</u>	<u>36,518</u>	<u>21,052</u>	<u>69,223</u>
EARNINGS PER SHARE (3)	\$ 0.42	\$ 0.27	\$ 0.19	\$ 0.11	\$ 0.36

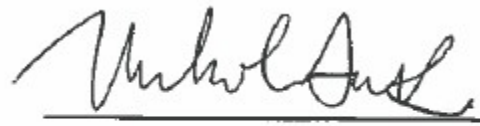
Eppley Limited
Consolidated Statement of Financial Position
(Jamaican dollars in thousands)

	Unaudited Sep. 2018	Unaudited Sep. 2017	Audited Dec. 2017
ASSETS			
Cash and deposits	383,949	392,152	315,300
Taxation recoverable	9,667	7,008	8,967
Other receivable	139,964	79,853	72,193
IPF receivables	386,165	321,413	324,076
Loans receivables	1,148,600	1,161,766	1,142,384
Lease receivable	599,268	366,979	382,318
Investment securities	362,837	29,039	80,344
Investment in joint venture	113,228	94,415	109,725
Property, plant and equipment	17,625	12,027	10,485
	<u>3,161,303</u>	<u>2,464,652</u>	<u>2,445,792</u>
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	-	1,082	-
Deferred taxation	146	146	146
Borrowings	2,265,692	1,709,821	1,692,727
Other liabilities	153,433	54,082	42,932
	<u>2,420,924</u>	<u>1,766,784</u>	<u>1,737,458</u>
SHAREHOLDERS' EQUITY			
Share capital	492,343	492,343	492,343
Retained earnings	247,565	205,524	215,991
Other reserves	471	-	-
	<u>740,379</u>	<u>697,868</u>	<u>708,334</u>
	<u>3,161,303</u>	<u>2,464,652</u>	<u>2,445,792</u>

Approved by the Board of Directors on November 5, 2018 and signed on its behalf by:



Paul. B. Scott
Chairman



Nicholas A. Scott
Managing Director

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

	Share Capital	Other Reserves	Retained Earnings	Total
Balance as at 1 January 2017	492,343	-	218,289	710,632
Net Profit for the period	-	-	51,596	51,596
Dividends	-	-	(64,361)	(64,361)
Balance as at 30 September 2017	492,343	-	205,524	697,868
Balance as at 31 December 2017	492,343	-	215,991	708,334
Impact of adopting new standard (IFRS 9)	-	-	(3,170)	(3,170)
Restated balance as at 1 January 2018	492,343	-	212,821	705,164
Currency translation differences on the net assets of foreign subsidiary	-	471	-	471
Net Profit for the period	-	-	80,667	80,667
Dividends	-	-	(45,923)	(45,923)
Balance as at 30 September 2018	492,343	471	247,565	740,379

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

	Unaudited 9 months ended Sep. 2018	Unaudited 9 months ended Sep. 2017	Audited 12 months ended Dec. 2017
Cash Flows from Operating Activities			
Net profit	80,667	51,596	69,223
Adjustments for items not affecting cash:			
Depreciation	5,742	4,606	6,149
Interest income	(234,416)	(190,964)	(261,373)
Interest expense	127,584	116,544	158,394
Realised gain on investment securities	(3,918)	-	(1,497)
Gain on disposal of property, plant and equipment	-	-	-
Exchange (gains)/losses on foreign balances	(4,117)	(4,560)	(6,225)
Share of profits from joint venture	(3,502)	(833)	(16,131)
Taxation	-	-	(1,082)
	(31,960)	(23,612)	(52,542)
Changes in non-cash working capital components:			
Other receivables	(62,572)	(14,177)	(6,532)
Insurance premium financing receivables	(60,840)	(16,525)	(19,125)
Loans receivable	38,833	(250,149)	(235,406)
Lease receivables	(211,335)	26,140	9,712
Interest received	234,172	184,615	261,144
Other liabilities	104,771	17,545	6,644
	11,070	(76,163)	(36,105)
Tax withheld at source/paid	(700)	(975)	(2,934)
Interest paid	(120,538)	(116,482)	(158,226)
Net cash provided by/(used in) operating activities	(110,168)	(193,620)	(197,265)

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

	Unaudited 9 months ended Sep. 2018	Unaudited 9 months ended Sep. 2017	Audited 12 months ended Dec. 2017
Cash Flows from Investing Activities			
Term deposits with maturity periods in excess of 90 days	(155,000)	-	(5,325)
Acquisition of Investments	(268,375)	(28,863)	(94,709)
Investment in joint venture	-	-	(12)
Proceed from sale of investments	105,325	130,000	143,705
Proceed from sale of property, plant & equipment	4,721	-	-
Additions to property, plant and equipment	(13,685)	(228)	(228)
Net cash provided by/(used) in investing activities	<u>(327,014)</u>	<u>100,910</u>	<u>43,431</u>
Cash Flows from Financing Activities			
Shares issued	-	-	-
Dividend paid	(45,923)	(64,361)	(71,521)
Loans received	1,576,419	400,730	405,827
Loans repaid	(1,108,709)	(29,401)	(36,377)
Net cash (used in)/provided by financing activities	<u>421,787</u>	<u>306,968</u>	<u>297,929</u>
Increase/(Decrease) in net cash balance	(15,395)	214,258	144,095
Effects of foreign exchange rates changes on cash and cash equivalents	34,121	4,267	(1,595)
Cash and cash equivalents at beginning of year	<u>209,063</u>	<u>66,563</u>	<u>66,563</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>227,793</u></u>	<u><u>285,087</u></u>	<u><u>209,063</u></u>

Ten Largest Shareholders
(at September 30, 2018)

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nominee Limited	48,052,050
Caribprop Limited	27,500,000
Coldharbour Partners Inc.	15,244,350
Perseverance Limited	14,155,350
Curmudgeon Limited	8,283,000
Michael Subratie	8,040,450
Ravers Limited	5,348,700
Caona Investments Limited	3,000,000
Justin Nam	1,351,420

Shareholdings of Directors
(at September 30, 2018)

	Direct	Connected
Melanie Subratie	-	4,287,134
Nicholas Scott	-	23,527,350
Sharon Donaldson	798,450	-
Jennifer Scott	-	14,155,350
Keith Collister	-	-
Byron Thompson	483,750	-
Maxim Rochester	956,850	-
P.B. Scott	-	28,787,134
Alexander Melville	-	-

Shareholdings of Executives
(at September 30, 2018)

	Direct	Connected
Justin Nam	1,351,420	-
Jacquelin Watson	1,024,650	-

1. Identification and Activities

Eppley Limited formerly Orrett and Musson Investment Company Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is located at 58 Half Way Tree Road, Kingston 10.

The principal activity of the company is insurance premium financing, lease and loan financing.

The company is a public company listed on the Jamaica Stock Exchange at July 29, 2013.

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, 2017, except for the adoption of IFRS 9 'Financial Instruments'. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

IFRS 9, 'Financial instruments'

The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition.

Financial assets under, IFRS 9, are generally classified as measured at:

- Amortised cost
Financial assets are measured at amortised cost if they are held within the business model whose objective is to hold the assets to collect the contractual cash flows and its contractual terms will result in cash flows that are solely payments of principal and interest on specified dates.

- Fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL)
Debt instruments are measured at FVOCI if the main objective within the business model is achieved by collecting contractual cash flows and selling financial assets and the contractual terms result in cash flow payments that are solely principal and interest on specified dates

On initial recognition of an equity investment that is not held for trading, the company irrevocably elects, on an investment by investment basis, to present subsequent changes in the investment's fair value in OCI.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Impairment of Financial Assets

IFRS 9 also introduced a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition.

The Group has adopted IFRS 9 with effect from 1 January 2018 and the impact of this adoption is \$3.170m.

3. Earnings Per Share

	Unaudited 9 months ended Sep. 2018	Unaudited 9 months ended Sep. 2017	Unaudited 3 months ended Sep. 2018	Unaudited 3 months ended Sep. 2017	Audited 12 months ended Dec. 2017
Net Profit being Total Comprehensive Income for the Year	80,667	51,596	36,046	21,052	69,223
Weighted Average Shares Outstanding	<u>192,468,300</u>	<u>192,468,300</u>	<u>192,468,300</u>	<u>192,468,300</u>	<u>192,468,300</u>
EARNINGS PER SHARE	\$ 0.42	\$ 0.27	\$ 0.19	\$ 0.11	\$ 0.36

4. Cash and Cash Equivalents

	Unaudited 9 months ended Sep. 2018	Unaudited 9 months ended Sep. 2017	Unaudited 12 months ended Dec. 2017
Cash and bank balances	198,611	87,896	92,882
Term Deposits	185,338	304,256	222,418
	<u>383,949</u>	<u>392,152</u>	<u>315,300</u>
Less: Term deposits with maturity period in excess of ninety days	(155,000)	(100,000)	(105,325)
Less: Interest Receivable	(1,156)	(7,065)	(912)
	<u>227,793</u>	<u>285,087</u>	<u>209,063</u>