

# EPPLEY LIMITED

SECOND QUARTER 2021



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

August 13, 2021

Fellow Shareholders,

Eppley produced earnings per share of \$0.57 in the first six months of 2021, an 18% return for shareholders.<sup>1</sup>

#### Proprietary Investment Portfolio

At the end of the first half we owned a \$5.0 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 13% and 17% excluding our large cash balances.

#### Asset Management Business

In addition to our investments, we manage or administer over US\$100 million of capital in the Eppley Caribbean Property Fund, the Caribbean Mezzanine Fund and other vehicles.

#### Capitalization and Liquidity

Our leverage was 3.9x of our capital at the end of the quarter and our average cost of debt was 7%.<sup>2</sup> We ended the quarter with over \$534 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.

<sup>2</sup> Based on Eppley Limited's unconsolidated borrowings and shareholders' equity.

### Financial Performance

Our profit after tax in the first half of 2021 was \$109 million or just ahead of our earnings in the same period last year.

We deployed significant capital across our strategies in the second quarter. Consequently, interest income rebounded strongly after declining for the last several quarters.

This renewed growth in earnings from our propriety investments complimented the continued strength in our fee-based sources of income. Declines in other income mostly reflect lower foreign exchange gains when compared to the same period last year.

### 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.

### Outlook

Eppley's business model, culture and investment philosophy are designed to thrive in the current market environment. We are increasingly seeing opportunities to deploy capital at favourable risk-adjusted returns and expect this to continue in the second half of 2021.

Sincerely,



P.B. Scott  
Chairman



Nicholas A. Scott  
Managing Director

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

	Unaudited 6 months ended Jun. 2021	Unaudited 6 months ended Jun. 2020	Unaudited 3 months ended Jun. 2021	Unaudited 3 months ended Jun. 2020	Audited 12 months ended Dec. 2020
<b>Net Investment Income</b>					
Interest Income	177,538	168,977	106,153	77,690	332,908
Interest expense	(122,088)	(101,430)	(68,039)	(51,401)	(207,676)
<b>Net interest income</b>	55,450	67,547	38,114	26,289	125,232
Asset management income	123,829	82,928	50,828	48,704	194,242
Other operating income	30,988	45,180	20,171	37,905	85,984
Administrative expenses	(99,471)	(86,571)	(49,957)	(45,360)	(190,162)
Net impairment of financial and contract assets	387	(29)	102	38	(939)
Share of net profit from joint venture	-	-	-	-	10,817
Profit before Taxation	111,183	109,055	59,258	67,577	225,174
Taxation	(2,236)	(2,006)	(1,195)	(939)	168
Net profit for the period	108,947	107,049	58,063	66,638	225,342
Other comprehensive income:					
<i>Items that will not be reclassified</i>					
Exchange differences on translation of foreign operations	11,134	2,814	7,747	1,929	2,589
Changes in fair value of equity investments at fair value through other comprehensive income	(3,355)	(3,835)	-	5,693	43,346
<b>Other comprehensive (loss)/income for the period, net of taxes</b>	7,779	(1,021)	7,747	7,622	45,935
<b>Total comprehensive income for the period, net of taxes</b>	<b>116,726</b>	<b>106,028</b>	<b>65,810</b>	<b>74,260</b>	<b>271,277</b>
<b>EARNINGS PER SHARE (3)</b>	<b>\$0.57</b>	<b>\$0.56</b>	<b>\$0.30</b>	<b>\$0.35</b>	<b>\$1.17</b>

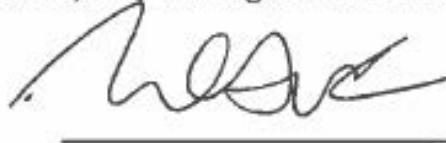
**Eppley Limited**  
**Consolidated Statement of Financial Position**  
*(Jamaican dollars in thousands)*

	Unaudited Jun. 2021	Unaudited Jun. 2020	Audited Dec. 2020
<b>ASSETS</b>			
Cash and deposits	533,799	421,091	680,589
Taxation recoverable	15,442	12,593	14,443
Other receivables	515,870	176,111	201,153
Insurance premium financing receivables	65,621	135,736	135,861
Loans receivable	1,277,404	1,580,396	1,452,154
Lease receivables	1,597,341	480,485	587,129
Investment securities	1,039,105	921,788	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	3,853	1,918	1,069
Property, plant and equipment	13,679	20,598	17,433
	<u><b>5,135,704</b></u>	<u><b>3,808,266</b></u>	<u><b>4,141,282</b></u>
<b>LIABILITIES</b>			
Due to related parties	1,653	1,653	1,653
Taxation payable	3,855	2,819	5,010
Deferred tax liability	-	146	-
Borrowings	3,914,187	2,904,922	2,916,890
Lease liability	3,948	2,127	1,069
Other liabilities	258,245	43,530	212,661
	<u><b>4,181,888</b></u>	<u><b>2,955,197</b></u>	<u><b>3,137,283</b></u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	492,343	492,343	492,343
Other reserves	13,026	2,117	1,892
Fair value reserves	56,756	12,930	60,111
Retained earnings	391,691	345,679	449,653
	<u><b>953,816</b></u>	<u><b>853,069</b></u>	<u><b>1,003,999</b></u>
	<u><b>5,135,704</b></u>	<u><b>3,808,266</b></u>	<u><b>4,141,282</b></u>

Approved by the Board of Directors on August 13, 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>
Balance as at 31 December 2019	492,343	16,765	(697)	355,497	863,908
Net Profit for the period	-	-	-	107,049	107,049
Other comprehensive income for the period	-	(3,835)	2,814	-	(1,021)
Total comprehensive income for the period	-	(3,835)	2,814	107,049	106,028
Dividends	-	-	-	(116,867)	(116,867)
<b>Balance as at 30 June 2020</b>	<b>492,343</b>	<b>12,930</b>	<b>2,117</b>	<b>345,679</b>	<b>853,069</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	-	-	-	108,947	108,947
Other comprehensive income for the period	-	(3,355)	11,134	-	7,779
Total comprehensive income for the period	-	(3,355)	11,134	108,947	116,726
Dividends	-	-	-	(166,909)	(166,909)
<b>Balance as at 30 June 2021</b>	<b>492,343</b>	<b>56,756</b>	<b>13,026</b>	<b>391,691</b>	<b>953,816</b>

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

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>6 months</b>	<b>6 months</b>	<b>12 months</b>
	<b>ended</b>	<b>ended</b>	<b>ended</b>
	<b>Jun. 2021</b>	<b>Jun. 2020</b>	<b>Dec. 2020</b>
<b>Cash Flows from Operating Activities</b>			
Net profit	108,947	107,049	225,342
Adjustments for items not affecting cash:			
Depreciation	4,422	3,631	8,167
Amortisation	2,476	1,945	3,968
Interest income	(177,538)	(168,977)	(332,908)
Dividend income	(22,736)	(104)	(2,660)
Interest expense	122,088	101,430	207,676
Unrealised loss on investment securities	11,847	5,258	11,171
Expected credit loss	(387)	29	939
Gain on disposal of property, plant and equipment	-	(1,373)	(1,373)
Exchange gains on foreign currency denominated balances	(5,500)	(34,446)	(55,560)
Share of profits from joint venture	-	-	(10,817)
Taxation	2,236	2,006	(168)
	<b>45,855</b>	<b>16,448</b>	<b>53,777</b>
<b>Changes in non-cash working capital components:</b>			
Other receivables	(326,713)	(47,484)	(81,389)
Insurance premium financing receivables	73,061	22,620	21,837
Loans receivable	191,274	(1,906)	148,878
Lease receivables	(1,009,746)	22,512	(83,866)
Interest received	180,094	170,423	329,329
Dividend received	21,597	104	2,660
Other liabilities	40,285	(131,440)	35,934
	<b>(784,293)</b>	<b>51,277</b>	<b>427,160</b>
Tax withheld at source	(999)	(307)	(2,157)
Tax paid	(3,729)	(1,816)	(2,733)
Interest paid	(109,262)	(101,503)	(188,651)
<b>Net cash (used in)/provided by operating activities</b>	<b>(898,283)</b>	<b>(52,349)</b>	<b>233,619</b>

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

	<b>Unaudited 6 months ended Jun. 2021</b>	<b>Unaudited 6 months ended Jun. 2020</b>	<b>Audited 12 months ended Dec. 2020</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of investments	(45,924)	-	-
Proceeds from sale of investments	-	-	86,575
Additions to property, plant and equipment	(668)	(12,288)	(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>(46,592)</b>	<b>(10,915)</b>	<b>74,284</b>
<b>Cash Flows from Financing Activities</b>			
Dividend paid	(166,909)	(116,867)	(131,186)
Lease liability repaid	(2,476)	(2,125)	(4,337)
Loans received	961,399	567,518	572,484
Loans repaid	(26,409)	(528,047)	(540,269)
<b>Net cash provided/(used in) by financing activities</b>	<b>765,605</b>	<b>(79,521)</b>	<b>(103,308)</b>
(Decrease)/Increase in net cash balance	(179,270)	(142,785)	204,595
Effects of foreign exchange rates changes on cash and cash equivalents	30,550	12,370	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>531,644</b>	<b>332,922</b>	<b>680,364</b>



### Ten Largest Shareholders

(at June 30, 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	1,389,575

### Shareholdings of Directors

(at June 30, 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 June 30, 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 6 months Jun. 2021</b>	<b>Unaudited 6 months Jun. 2020</b>	<b>Audited 12 months Dec. 2020</b>
Net profit attributable to shareholders (\$'000)	108,947	107,049	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>0.57</b>	<b>0.56</b>	<b>1.17</b>

#### 4. Cash and Cash Equivalents

	<b>Unaudited 6 months Jun. 2021</b>	<b>Unaudited 6 months Jun. 2020</b>	<b>Audited 12 months Dec. 2020</b>
Cash and bank balances	196,531	158,520	334,420
Term deposits	337,268	262,571	215,716
	<u>533,799</u>	<u>421,091</u>	<u>550,136</u>
Less: term deposits with maturity period in excess of ninety days	-	(84,443)	(84,443)
Less: interest receivable	(2,155)	(3,726)	(2,356)
	<u>531,644</u>	<u>332,922</u>	<u>463,337</u>