

EPPLEY
L I M I T E D

2023

SECOND QUARTER

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2023 Second Quarter Financial Highlights

Net profit
\$357 million

Dividend Declared
\$0.052/share

Stockholders' Equity
\$1.2 billion

Investment Portfolio
\$5.8 billion

Interest Income
\$218 million

Asset Management Income
\$148 million

Eppley is a growing, diverse Caribbean investment company that has a track record of producing high and consistent returns for our shareholders.

Our investment strategy is focused on private markets in credit, mezzanine, real estate and infrastructure.

Letter to Shareholders

August 14, 2023

Fellow Shareholders,

Eppley produced earnings per share of \$1.85 in the first half of 2023, generating a 58% return for shareholders.¹

Proprietary Investment Portfolio

At the end of June 2023, we owned a \$5.8 billion investment portfolio consisting of cash, loans, leases, receivables and investments in our mezzanine, real estate, infrastructure and asset management joint ventures, subsidiaries and associates. The average income yield of our portfolio was 14% and 16% excluding our cash balances.

Asset Management Business

In addition to our proprietary portfolio, we also manage or administer the equivalent of over US\$120 million of capital primarily through the Eppley Caribbean Property Fund, Caribbean Mezzanine Fund and Capital Infrastructure Group.

Capitalization and Liquidity

Our leverage was 3.6x our capital at the end of the first quarter and our average cost of debt was 6%. We closed the quarter with \$1.1 billion of cash.

Financial Performance

Our profit after tax for the first half of 2023 was \$357 million when compared against \$110 million generated for the first half of last year.

The financial performance for the first half of 2023 now reflects the impact of the tender for the Eppley Caribbean Property Fund-Development Fund shares which resulted in a gain on bargain purchase of \$229 million.

Additional funding obtained to facilitate the purchase of the Development Fund shares resulted in an increase in interest expenses for the period.

Our core business remains solid. Excluding the impact of the gain on bargain purchase from the Development Fund, our profitability for the six-month period would have been approximately \$150 million or 36% higher than the corresponding period of the previous year.

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.

The recurring, predictable fee income generated from managing or administering assets in our real estate, mezzanine and infrastructure strategies continued to grow, improving the quality of our earnings.

Dividend

Today the Board of Directors approved a dividend of 5.2 cents per share payable on September 15, 2023, to ordinary shareholders on record as of August 31, 2023.

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

Outlook

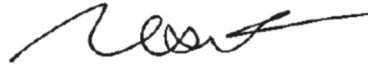
Following the acquisition, the Development Fund is now consolidated into Eppley's financial statements. We will continue to execute the current strategy of divesting the Development Fund's real estate assets at or above carrying value while assessing repositioning its mandate.

The outlook for the remainder of the year remains positive supported by a healthy pipeline of opportunities across the different strategies we manage.

Sincerely,



P.B. Scott
Chairman



Nicholas A. Scott
Vice Chairman

Shareholders

TEN LARGEST SHAREHOLDERS

(at June 30, 2023)

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nom Ltd	38,421,665
Caribprop Limited	27,500,000
Perseverance Limited	23,353,134
Coldharbour Partners Inc.	10,774,674
Curmudgeon Limited	8,284,000
Michael Subratie	8,243,606
Caona Investments Limited	6,076,923
Ravers Limited	5,348,70
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	1,171,558

SHAREHOLDINGS OF DIRECTORS

(at June 30, 2023)

	DIRECT	CONNECTED *
Alexander Melville	-	-
Byron Thompson	483,750	-
Jennifer Scott	-	23,786,884
Keith Collister	-	38,421,665
Maxim Rochester	956,850	-
Melanie Subratie	-	62,855,079
Nicholas Scott	-	19,495,424
P.B. Scott	-	99,387,684
Sharon Donaldson	868,074	436,750
Justin Nam	851,420	-

SHAREHOLDINGS OF EXECUTIVES

(at June 30, 2023)

	DIRECT	CONNECTED *
Jacquelin Watson	1,024,650	-
Adam Hugh	825,000	-

* Includes connections by virtue of directorships and other affiliations in addition to indirect shareholdings.

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

	Unaudited 6 months ended Jun. 2023	Unaudited 6 months ended Jun. 2022	Unaudited 3 months ended Jun. 2023	Unaudited 3 months ended Jun. 2022	Audited 12 months ended Dec. 2022
Net Investment Income					
Interest Income	218,534	225,362	110,063	110,685	438,363
Interest expense	(149,292)	(143,653)	(78,279)	(73,915)	(300,392)
Net interest income	<u>69,242</u>	<u>81,709</u>	<u>31,784</u>	<u>36,770</u>	<u>137,971</u>
Asset management income	147,866	123,742	78,302	56,313	283,343
Fees and other operating income/(loss)	85,389	20,680	57,309	(16,730)	91,483
Gain on bargain purchase	229,120	-	229,120	-	-
Administrative expenses	(166,428)	(113,545)	(104,480)	(56,816)	(243,004)
Net gain/(impairment) on financial assets	424	(65)	182	100	(2,895)
Share of net profit from joint venture	-	-	-	-	2,944
Profit before Taxation	<u>365,613</u>	<u>112,521</u>	<u>292,217</u>	<u>19,637</u>	<u>269,842</u>
Taxation	(14,095)	(2,558)	(7,714)	(1,292)	(31,045)
Net profit for the period	<u>351,518</u>	<u>109,963</u>	<u>284,503</u>	<u>18,345</u>	<u>238,797</u>
Other comprehensive income:					
<i>Items that will not be reclassified</i>					
Exchange differences on translation of foreign operations	(1,590)	(6,944)	1,435	(4,456)	(3,245)
Changes in fair value of equity investments at fair value through other comprehensive income	(19,472)	58	(5,573)	(594)	4,980
Other comprehensive (loss)/income for the period, net of taxes	<u>(21,062)</u>	<u>(6,886)</u>	<u>(4,138)</u>	<u>(5,050)</u>	<u>1,735</u>
Total comprehensive income for the period, net of taxes	<u>330,456</u>	<u>103,077</u>	<u>280,365</u>	<u>13,295</u>	<u>240,532</u>
Net profit/(loss) attributable to:					
Owners of the company	356,851	109,963	289,836	18,345	238,797
Non-controlling interests	(5,333)	-	(5,333)	-	-
	<u>351,518</u>	<u>109,963</u>	<u>284,503</u>	<u>18,345</u>	<u>238,797</u>
Total comprehensive income/(loss) attributable to:					
Owners of the company	335,789	103,077	285,698	13,295	240,532
Non-controlling interests	(5,333)	-	(5,333)	-	-
	<u>330,456</u>	<u>103,077</u>	<u>280,365</u>	<u>13,295</u>	<u>240,532</u>
EARNINGS PER STOCK UNIT (3)	\$1.85	\$0.57	\$1.48	\$0.10	\$1.24

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

	Unaudited Jun. 2023	Unaudited Jun. 2022	Audited Dec. 2022
ASSETS			
Cash and deposits	1,100,356	415,784	1,031,327
Taxation recoverable	21,005	18,096	19,136
Other receivables	574,471	552,003	477,084
Insurance premium financing receivables	13,757	63,090	16,389
Loans receivable	1,008,214	1,353,237	1,209,960
Lease receivables	1,644,839	1,764,351	1,698,775
Investment securities	1,134,565	1,017,277	1,041,057
Investment in joint ventures	82,861	79,916	82,860
Investment in associated company	304,761	-	-
Real estate available-for-sale	905,756	-	-
Deferred tax assets	-	8,741	420
Right-of-use-asset	4,742	-	7,273
Property, plant and equipment	21,201	7,923	25,925
Total assets	6,816,528	5,280,418	5,610,206
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	4,861	3,799	10,416
Deferred tax liabilities	22,194	4,188	15,419
Borrowings	4,456,067	4,010,681	4,111,658
Lease liability	4,609	-	7,374
Other liabilities	362,448	280,256	366,407
Total liabilities	4,851,832	4,300,577	4,512,927
EQUITY			
Share capital	492,343	492,343	492,343
Other reserves	11,283	9,174	12,873
Fair value reserves	45,855	60,405	65,327
Retained earnings	681,110	417,919	526,736
Equity attributable to owners of the company	1,230,591	979,841	1,097,279
Non-controlling interests	734,105	-	-
Total equity	1,964,696	979,841	1,097,279
Total Liabilities and Equity	6,816,528	5,280,418	5,610,206

Approved by the Board of Directors on August 14, 2023 and signed on its behalf by



Paul B. Scott
Chairman



Nicholas A. Scott
Vice Chairman

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

	Share Capital	Fair value Reserves	Other Reserves	Retained Earnings	Non-controlling Interests	Total
Balance as at 1 January 2022	492,343	60,347	16,118	520,056	-	1,088,864
Net Profit for the period	-	-	-	109,963	-	109,963
Other comprehensive income for the period	-	58	(6,944)	-	-	(6,886)
Total comprehensive income for the period	-	58	(6,944)	109,963	-	103,077
Dividends	-	-	-	(212,100)	-	(212,100)
Balance as at 30 June 2022	492,343	60,405	9,174	417,919	-	979,841
Balance as at 1 January 2023	492,343	65,327	12,873	526,736	-	1,097,279
Non-controlling interests on acquisition of subsidiary	-	-	-	-	739,438	739,438
Net Profit for the period	-	-	-	356,851	(5,333)	351,518
Other comprehensive income for the period	-	(19,472)	(1,590)	-	-	(21,062)
Total comprehensive income for the period	-	(19,472)	(1,590)	356,851	734,105	1,069,894
Dividends	-	-	-	(202,477)	-	(202,477)
Balance as at 30 June 2023	492,343	45,855	11,283	681,110	734,105	1,964,696

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

	Unaudited	Unaudited	Audited
	6 months	6 months	12 months
	ended	ended	ended
	Jun. 2023	Jun. 2022	Dec. 2022
Cash Flows from Operating Activities			
Net profit	351,518	109,963	238,797
Adjustments for:			
Depreciation	5,391	2,170	11,098
Amortisation of right-of-use-asset	2,692	1,384	1,384
Interest income	(218,534)	(225,362)	(438,363)
Dividend income	(46,068)	(31,787)	(53,058)
Interest expense	149,292	143,653	300,392
Unrealised losses/(gains) on investment securities	787	2,044	(15,719)
Net (gain)/impairment on financial assets	(424)	65	2,705
Gain on bargain purchase	(253,718)	-	-
Gain on sale of property, plant and equipment	-	-	(4,783)
Gain on disposal of real estate available-for-sale	(1,112)	-	-
Exchange gains on foreign currency denominated balances	(29,079)	(39,525)	9,132
Share of loss from joint venture	-	-	(2,942)
Share of loss from associated company	398	-	-
Taxation	14,095	1,266	31,045
	<u>(24,762)</u>	<u>(36,129)</u>	<u>79,688</u>
Changes in non-cash working capital components:			
Other receivables	(162,697)	(150,133)	(14,355)
Insurance premium financing receivables	2,737	42,103	89,024
Loans receivable	222,597	94,248	182,342
Lease receivables	54,572	(60,391)	5,106
Interest received	221,696	227,231	440,455
Dividend received	17,858	31,787	34,111
Other liabilities	(37,535)	(6,801)	75,459
	<u>294,466</u>	<u>141,915</u>	<u>891,830</u>
Tax withheld at source	(1,869)	(964)	(2,004)
Tax paid	(12,549)	(2,614)	(4,955)
Interest paid	(141,166)	(140,356)	(295,086)
Net cash generated by/(used in) operating activities	<u>138,882</u>	<u>(2,019)</u>	<u>589,785</u>

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

	Unaudited 6 months ended Jun. 2023	Unaudited 6 months ended Jun. 2022	Audited 12 months ended Dec. 2022
Cash Flows from Investing Activities			
Acquisition of investment securities	(96,399)	-	-
Acquisition of a subsidiary, net of cash acquired	(304,117)	-	-
Proceeds from sale of investment securities	734	50,686	52,313
Proceeds from sale of real estate available-for-sale	91,569	-	-
Additions to property, plant and equipment	(664)	(196)	(27,126)
Proceeds from sale of property, plant and equipment	-	-	4,783
Net cash (used in)/provided by investing activities	(308,877)	50,490	29,970
Cash Flows from Financing Activities			
Dividends paid	(202,477)	(212,100)	(232,117)
Lease liability repaid	(2,868)	(1,384)	(1,384)
Loans received	451,790	-	193,852
Loans repaid	(127,608)	(91,011)	(193,388)
Net cash provided by/(used in) financing activities	118,837	(304,495)	(233,037)
(Decrease)/Increase in net cash balance	(51,158)	(256,024)	386,718
Effects of foreign exchange rates changes on cash and cash equivalents	9,784	10,633	(20,718)
Cash and cash equivalents at beginning of year	971,471	605,471	605,471
CASH AND CASH EQUIVALENTS AT END OF PERIOD	930,097	360,080	971,471

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, 2022. 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 Stock Unit

	Unaudited 6 months Jun. 30, 2023	Unaudited 6 months Jun. 30, 2022	Audited 12 months Dec. 31, 2022
Net profit attributable to stockholders (\$'000)	356,851	109,963	238,797
Weighted average number of stock units outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
Earnings per stock unit (\$)	1.85	0.57	1.24

4. Cash and Cash Equivalents

	Unaudited 6 months Jun. 2023	Unaudited 6 months Jun. 2022	Audited 12 months Dec. 2022
Cash and bank balances	706,031	312,033	516,154
Term deposits	394,325	103,751	515,173
	<u>1,100,356</u>	<u>415,784</u>	<u>1,031,327</u>
Less: Restricted cash	(168,663)	(54,880)	(58,644)
Less: Interest receivable	(1,596)	(824)	(1,212)
	<u>930,097</u>	<u>360,080</u>	<u>971,471</u>