

EPPLEY LIMITED

THIRD QUARTER 2013

October 2013

Fellow Shareholders,

Eppley produced earnings per share of \$13.43 this quarter, returning 3.6% on our \$377 per share listing price.

At the end of the quarter, our net asset value was \$383 per share.

Investment Strategy

Our goal is to generate consistent income with modest risk. Currently, we believe that commercial credit, particularly areas out of favour with traditional lenders, offers attractive returns relative to the risk of default.

Among fixed income investments, we prefer commercial credit to investing in bonds while interest rates are at their lowest levels in decades.

Portfolio

In line with this strategy, we've deployed about a quarter of a billion dollars to commercial loans and leases since June.

At the end of the quarter, we had a \$437 million portfolio with an average yield of 14% and an average tenor of 18 months.

Capitalization

We have modest leverage. At the end of the quarter, our \$109 million of borrowings represented 0.4x our capital.

We raised \$181 million of equity this year, increasing our equity base to over \$300 million. These funds have now largely been invested. Our uncommitted cash on hand was \$33 million at the end of the quarter.

In order to further expand of our portfolio, we intend to issue preference shares. We'll be seeking the approval of shareholders at an extraordinary shareholders meeting on November 12.

Financial Performance

Our profit after tax so far this year is \$23 million compared to the \$12 million we made in the same period last year. We made \$15 million of net profit in all of 2012. This increase is attributable to the recapitalization of the business and our investment strategy as outlined above. We're encouraged by this performance.

Sincerely,



Nigel L. Clarke
Chairman



Nicholas A. Scott
Managing Director

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

	Unaudited 9 months ended Sept. 2013	Unaudited 9 months ended Sept. 2012	Unaudited 3 months ended Sept. 2013	Unaudited 3 months ended Sept. 2012	Audited 12 months ended Dec. 2012
Net Investment Income					
Interest Income	45,180	59,276	14,880	20,456	79,342
Interest expense	<u>(10,854)</u>	<u>(22,220)</u>	<u>(1,280)</u>	<u>(7,240)</u>	<u>(29,381)</u>
Net interest income	34,325	37,056	13,600	13,215	49,961
Other operating income	17,287	7,406	5,880	2,938	10,195
Administrative expenses	<u>(23,612)</u>	<u>(26,188)</u>	<u>(9,183)</u>	<u>(6,695)</u>	<u>(36,292)</u>
Profit before Taxation	28,001	18,273	10,297	9,458	23,864
Taxation	<u>(4,959)</u>	<u>(6,091)</u>	<u>(533)</u>	<u>(3,153)</u>	<u>(8,802)</u>
Net Profit being Total Comprehensive Income for the Year	<u><u>23,042</u></u>	<u><u>12,182</u></u>	<u><u>9,764</u></u>	<u><u>6,305</u></u>	<u><u>15,062</u></u>
EARNINGS PER SHARE (3)	48.19	40.61	13.43	21.02	50.21

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

	Unaudited Sept. 2013	Unaudited Sept. 2012	Audited Dec. 2012
ASSETS			
Cash and deposits	120,972	12,966	3,361
Taxation recoverable	235	20	22
Other receivable	4,543	331	-
Insurance premium financing receivables	95,170	105,838	58,662
Loans receivable	188,828	403,117	399,197
Lease receivable	22,098	-	-
Property, plant and equipment	4,787	2,194	2,108
Total assets	436,632	524,466	463,350
LIABILITIES			
Due to related parties	3,454	9,622	1,653
Taxation payable	6,040	3,779	3,707
Deferred taxation	207	1,340	207
Borrowings	109,393	361,136	345,820
Other liabilities	12,504	50,367	10,862
Total liabilities	131,598	426,244	362,249
SHAREHOLDERS' EQUITY			
Share capital	181,189	300	300
Retained earnings	123,844	97,922	100,801
Total shareholders' equity	305,034	98,222	101,101
Total liabilities and shareholders' equity	436,632	524,466	463,350

Approved by the Board of Directors on October 25, 2013 and
signed on its behalf by:



Nigel L. Clarke
Chairman



Nicholas A. Scott
Managing Director

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

	Share Capital	Retained Earnings	Total
Balance as at 1 January 2012	300	85,739	86,039
Total Comprehensive Income for the Period	-	12,182	12,182
Balance as at 30 September 2012	<u>300</u>	<u>97,922</u>	<u>98,222</u>
Balance as at 1 January 2013	300	100,801	101,101
Total Comprehensive Income for the Period	-	23,043	23,043
Issue of Shares	180,889	-	180,889
Balance as at 30 September 2013	<u>181,189</u>	<u>123,844</u>	<u>305,034</u>

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

	Unaudited 9 months ended Sept. 2013	Unaudited 9 months ended Sept. 2012	Audited 12 months ended Dec. 2012
Cash Flows from Operating Activities			
Net profit	23,042	12,182	15,062
Adjustments for items not affecting cash:			
Depreciation	774	235	321
Gain on disposal of property, plant and equipment and intangible asset	-	(120)	(120)
Interest income	(45,180)	(59,276)	(79,342)
Interest expense	10,854	22,220	29,381
Exchange (gains)/losses on foreign balances	(14,862)	(9,822)	(24,272)
Taxation	4,959	6,091	8,802
	<u>(20,413)</u>	<u>(28,490)</u>	<u>(50,168)</u>
Changes in non-cash working capital components:			
Other receivables	(4,543)	(312)	19
Insurance premium financing receivables	(36,508)	64,251	111,427
Loans receivable	195,195	44,467	26,494
Interest received	45,247	59,276	100,394
Other liabilities	1,642	(5,409)	(44,914)
Due to related parties	1,801	109	(7,860)
	<u>182,421</u>	<u>133,892</u>	<u>135,392</u>
Taxation paid	(2,839)	(11,411)	(14,148)
Interest paid	(10,854)	(22,220)	(29,381)
Net cash provided by/(used in) operating activities	<u>168,728</u>	<u>100,261</u>	<u>91,863</u>
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(3,453)	(158)	(158)
Leases receivable, net	(22,098)	-	-
Proceeds from disposal of property, plant and equipment	-	500	500
Net cash provided by investing activities	<u>(25,551)</u>	<u>342</u>	<u>342</u>

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

	Unaudited 9 months ended Sept. 2013	Unaudited 9 months ended Sept. 2012	Audited 12 months ended Dec. 2012
Cash Flows from Financing Activities			
Loans received	145,161	62,819	63,434
Loans repaid	(347,165)	(156,791)	(158,689)
Proceeds from share issue	180,889	-	-
Net cash (used in)/provided by financing activities	<u>(21,115)</u>	<u>(93,972)</u>	<u>(95,255)</u>
 Increase/(Decrease) in net cash balance	 122,063	 6,631	 (3,050)
Effects of foreign exchange rates changes on cash and cash equivalents	(4,452)	(178)	(102)
Cash and cash equivalents at beginning of year	<u>3,361</u>	<u>6,513</u>	<u>6,513</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>120,972</u></u>	<u><u>12,966</u></u>	<u><u>3,361</u></u>

Ten Largest Shareholders

(at September 30, 2013)

Musson Investments Limited	299,999
Appliance Traders Group Pension Scheme	204,250
Stony Hill Capital Limited	121,666
General Accident Insurance Company Jamaica Limited	73,000
Michael Subratie	33,268
Ravers Limited	22,134
Proven Investments	8,198
Nicholas Scott	8,357
Nigel Clarke	5,305
Maxim Rochester	3,978

Shareholdings of Directors

(at September 30, 2013)

	Direct	Connected
Nigel Clarke	5,305	-
Melanie Subratie	-	299,999
Nicholas Scott	8,357	-
Sharon Donaldson	800	-
Jennifer Scott	-	-
Keith Collister	-	-
Byron Thompson	2,000	-
Maxim Rochester	3,978	-
Alexander Melville	-	-

Shareholdings of Executives

(at September 30, 2013)

	Direct	Connected
Nadia Jervis	277	-
Jacquelin Watson	-	-

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, 2012. 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 9 months ended Sept. 2013	Unaudited 9 months ended Sept. 2012	Unaudited 3 months ended Sept. 2013	Unaudited 3 months ended Sept. 2012	Audited 12 months ended Dec. 2012
Net Profit being Total Comprehensive Income for the Year	23,042	12,182	9,764	6,305	15,062
Weighted Average Shares Outstanding	<u>478,137</u>	<u>300,000</u>	<u>727,217</u>	<u>300,000</u>	<u>300,000</u>
EARNINGS PER SHARE	48.19	40.61	13.43	21.02	50.21