EPPLEY LIMITED

ANNUAL REPORT 2015

EPPLEY
LIMITED

ANNUAL LETTER TO SHAREHOLDERS

Fellow Shareholders,

Eppley produced earnings per share of $70.94 last year, generating a 19% return on our $377 per share listing price. Our net asset value at the end of 2015 was $438 per share.

Investment Strategy

Investors faced difficult choices in 2015. Traditional options to earn fixed income returns like deposits and bonds issued by sovereign states and blue chip firms offered the lowest yields in decades. Meanwhile many equity markets, including the Jamaica Stock Exchange, traded at all-time highs making bargains harder to find.

At Eppley, our strategy remained unchanged. We spent the year deploying the proceeds of our late 2014 preference share issue by selectively investing in credit mostly in Jamaica and the English-speaking Caribbean.

We continued to sift through opportunities to find instances where we could originate or invest in loans, leases and receivables on attractive terms relative to the risk of loss.

In doing so we directly and indirectly provided scarce capital to businesses in Jamaica and the region, in many cases on terms not available elsewhere.

We use leverage to enhance our returns. Since leverage also increases risk, we continue to ensure that all our liabilities are fairly priced, modest in relation to our assets and come due long after our investments mature. Most importantly, we make certain that our indebtedness never inhibits our ability to make decisive, unfettered investment decisions.

Our goal remains to provide shareholders with direct access to an underlying portfolio of investments. As a result, despite our corporate form we behave like a closed end fund and distribute the vast majority of our profits to shareholders quarterly.

In 2016 we expect to see increased competition from other investors in the specific areas of the credit markets we occupy. This competition has the potential to make it more difficult to find attractive opportunities and could tip the balance of risk and reward.

We are constantly evaluating our investment strategy in light of these and other developments. As markets and economic conditions evolve, our investment strategy may change. Our objective to generate consistent risk-adjusted returns for shareholders will not.

Portfolio

At the end of 2015, our investment portfolio was $1,376.2 million. The gross income yield on our portfolio was 14% and the average tenor of our investments was 14 months. Our capital-at-risk was negligible.

A summary of our portfolio is outlined in the following table.

Portfolio Summary

	Investment assets, millions	Average yield, %
Insurance premium finance receivables	114.5	27%
Loans	580.0	17%
Leases	285.9	13%
Investment securities	47.6	0%
Cash	348.2	8%
Total	1,376.2	14%

Our portfolio of insurance premium finance receivables was stable last year. Here we finance thousands of personal lines premiums mostly on motor vehicle and homeowner's insurance. Increasingly, we also finance larger commercial lines premiums. We originate these receivables as a result of long-standing relationships with insurance companies and brokers who rely on Eppley to make insurance policies affordable for their customers.

While we lend to policyholders, our loans are secured by unearned insurance premiums and so our ultimate credit risk is actually that of the insurer. This arrangement provides attractive returns with low credit risk.

Our portfolio of loans grew significantly in 2015. While our loans vary, almost every loan is an example of Eppley's willingness and ability to provide credit using products or structures not widely used by traditional lenders. In many instances our counterparties are prominent credit worthy firms that rely on Eppley to provide flexible risk capital and tailored lending solutions.

Our lease portfolio also grew last year. We now own motor vehicles and equipment worth over a quarter of a billion dollars which we in turn lease to various businesses. Once again, these counterparties chose to do business with Eppley because leases provide an efficient low-cost alternative to loans, but are much less common in Jamaica.

In the second half of last year we came across two arbitrage opportunities in marketable securities. These short-term investments offered the ability to deploy our excess liquidity at higher rates than deposits. We have since liquidated these securities and realized significant profits relative to the size of these positions.

Funding and Capitalization

Throughout 2015 we maintained high levels of liquidity as we sought to patiently deploy the $600 million we raised in late 2014. At the end of the year our cash position was $348 million. Our leverage ratio including our preference shares was 3.0x. Our average effective cost of debt was about 10%.

Financial Performance

Our profit after tax in 2015 was $56.5 million. This represents a 10.4% increase over 2014. It is also a 19% return on our capitalization at our IPO which is cost basis for most shareholders. This return is more than three times Treasury bill rates (6%) and five times inflation (3.7%) in Jamaica. Adjusted for the depreciation of the Jamaican dollar last year (5%), this is also the equivalent of a 14% US dollar denominated return.

Dividends

Eppley paid ordinary dividends of $9.00 per share in the last three quarters of 2015. In the first quarter of 2016, the Board also declared a dividend of $43.40 per share. Consistent with its previously disclosed dividend policy, Eppley distributed virtually all of its 2015 profit to shareholders.

Subject to Board discretion, we aim to maintain this dividend policy in 2016.

Operations

Eppley's day to day affairs are managed by a team of ten professionals. In late 2015, Justin Nam joined our investment team. The investment committee of our Board ultimately maintains collective responsibility for all material investment decisions. We wish to thank our entire team for their work last year.

In summary, we are satisfied by Eppley's performance in 2015. Despite relatively high levels of liquidity for most of the year, we were able to deliver acceptable returns on equity. In 2016, we expect to refine our investment strategy in light of market conditions and raise additional capital to continue the growth of our business.

Cordially,

Nigel L. Clarke	Nicholas A. Scott
Chairman	Managing Director

<u>NOTICE OF ANNUAL GENERAL MEETING</u>

NOTICE IS HEREBY GIVEN THAT the annual general meeting of EPPLEY LIMITED ("the Company") will be held at 11:30am on July 13, 2016 at 58 Half Way Tree Road for the shareholders to consider, and if thought fit, to pass the following resolutions:

<u>Ordinary Resolutions</u>

1. To receive the report of the Board of Directors and the audited accounts of the Company for the financial year ended December 31, 2015.

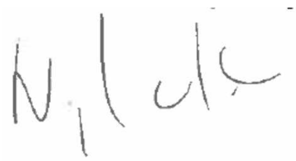
2. To authorise the Board of Directors to reappoint PricewaterhouseCoopers as the auditors of the Company, and to fix their remuneration.

3. To reappoint the following Directors who have resigned by rotation in accordance with the Articles of Incorporation and being eligible have consented to act on reappointment.

   (a) Maxim Rochester
   (b) Alexander Melville
   (c) Jennifer Scott

4. To authorise the Board of Directors to fix the remuneration of the Directors.

Dated this 29th day of April 2016 by order of the Board of Directors.



Nigel L. Clarke
Chairman

DIRECTORS' REPORT

The Directors are pleased to present their report for EPPLEY LIMITED for the financial year ended December 31, 2015.

Financial Results

The Statement of Comprehensive Income for the Company shows pre-tax profit of $56.1 million and net profit for the year of $56.5 million. Details of these results, along with a comparison with the previous year's performance and the state of affairs of the Company are set out in the Annual Letter to Shareholders and the Financial Statements which are included as part of this Annual Report.

Directors

The Directors of the Company as at December 31, 2015 are: Nigel Clarke, Nicholas Scott, P.B. Scott, Melanie Subratie, Sharon Donaldson, Jennifer Scott, Keith Collister, Byron Thompson, Maxim Rochester and Alexander Melville.

The Directors to retire by rotation in accordance with the Articles of Incorporation are Maxim Rochester, Alexander Melville, and Jennifer Scott but being eligible will offer themselves for reelection.

Auditors

The auditors of the Company, PricewaterhouseCoopers of Scotiabank Centre, Duke Street, Kingston, Jamaica have expressed their willingness to continue in office. The Directors recommend their reappointment.

On behalf of the Board of Directors,

Nigel L. Clarke
Chairman

TEN LARGEST SHAREHOLDERS

(at December 31, 2015)

Musson Investments Limited	299,999
Appliance Traders Group Pension Scheme	204,250
Stony Hill Capital Limited	121,665
General Accident Insurance Company Jamaica Limited	73,000
Michael Subratie	33,268
Ravers Limited	22,134
Nicholas Scott	8,357
Nigel Clarke	5,305
Stephanie Scott	5,300
Maxim Rochester	3,978

SHAREHOLDINGS OF DIRECTORS

(at December 31, 2015)

	Direct	Connected
Nigel Clarke	5,305	-
Melanie Subratie	-	299,999
Nicholas Scott	8,357	5,300
Sharon Donaldson	800	-
Jennifer Scott	-	-
Keith Collister	-	-
Byron Thompson	2,000	-
Maxim Rochester	3,978	-
Alexander Melville	-	-

SHAREHOLDINGS OF EXECUTIVES

(at December 31, 2015)

	Direct	Connected
Nadia Jervis	277	-
Jacquelin Watson	-	-

CORPORATE DATA

Registered Office
58 Half Way Tree Road
Kingston, Jamaica W.I.

Auditor and Tax Adviser
PricewaterhouseCoopers
Scotiabank Centre
Kingston, Jamaica W.I.

Bankers
First Global Bank
2 St. Lucia Avenue
Kingston, Jamaica W.I.

JMMB Merchant Bank
6-8 Grenada Way
Kingston, Jamaica W.I.

National Commercial Bank
32 Trafalgar Road
Kingston, Jamaica W.I.

Sagicor Bank
60 Knutsford Boulevard
Kingston, Jamaica W.I.

Bank of Nova Scotia Ja. Ltd.
Scotia Centre
Kingston, Jamaica W.I.

Attorneys-at-law
Clinton Hart
58 Duke Street
Kingston, Jamaica W.I.

DunnCox
48 Duke Street
Kingston, Jamaica W.I.

Patterson Mair Hamilton
85 Hope Road
Kingston, Jamaica W.I.

<u>Registrar</u>
Jamaica Central Securities Depository
40 Harbour Street
Kingston, Jamaica W.I.

Eppley Limited

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31 December 2015

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31 December 2015

Independent Auditor's Report

To the Members of
Eppley Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Eppley Limited, set out on pages 1 to 29, which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Eppley Limited as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
30 March 2016
Kingston, Jamaica

Eppley Limited

Statement of Comprehensive Income

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Net Investment Income			
Interest income		199,589	117,681
Interest expense		(117,438)	(48,701)
Net Interest Income		82,151	68,980
Other operating income	8	34,608	33,042
Administrative expenses	9	(60,681)	(50,791)
Profit Before Taxation		56,078	51,231
Taxation	11	407	(55)
Net Profit, Being Total Comprehensive Income For The Year		56,485	51,176
Basic Earnings per Share	12	$70.94	$64.27

Eppley Limited

Statement of Financial Position

31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Assets			
Cash and deposits	13	348,196	519,791
Taxation recoverable		4,166	1,319
Other receivables	14	51,195	50,186
Insurance premium financing receivables	15	114,501	113,516
Loans receivable	16	580,009	473,501
Lease receivables	17	285,886	253,361
Investment securities	18	47,606	-
Property, plant and equipment	19	7,499	3,248
Deferred taxation	21	79	-
Total assets		1,439,137	1,414,922
Liabilities			
Due to related parties	20	1,653	1,653
Taxation payable		1,082	1,082
Deferred taxation	21	-	328
Borrowings	22	1,048,604	1,038,823
Other liabilities	23	38,938	29,550
Total liabilities		1,090,277	1,071,436
Shareholders' Equity			
Share capital	24	181,189	181,189
Retained earnings		167,671	162,297
Total shareholders' equity		348,860	343,486
Total Liabilities and Equity		1,439,137	1,414,922

Approved for issue by the Board of Directors on 30 March 2016 and signed on its behalf by:

Nigel L. Clarke	Chairman	Nicholas A. Scott	Managing Director

Eppley Limited

Statement of Changes in Equity

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2014		181,189	139,786	320,975
Total comprehensive income for the year		-	51,176	51,176
Transactions with owners -				
Dividends	25	-	(28,665)	(28,665)
Balance at 31 December 2014		181,189	162,297	343,486
Total comprehensive income for the year		-	56,485	56,485
Transactions with owners -				
Dividends	25	-	(51,111)	(51,111)
Balance at 31 December 2015		181,189	167,671	348,860

Eppley Limited

Statement of Cash Flows

Year ended 31 December 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	2014 $'000
Cash Flows from Operating Activities			
Net profit		56,485	51,176
Adjustments for:			
Depreciation	19	2,986	1,187
Amortisation of premium on investments		67	-
Interest income		(199,589)	(117,681)
Interest expense		117,438	48,701
Unrealised gains on investment securities		(6,957)	-
Exchange gains on foreign currency denominated balances		(23,891)	(25,988)
Taxation	11	(407)	55
		(53,868)	(42,550)
Changes in non-cash working capital components:			
Other receivables		40	2,996
Insurance premium financing receivables		(24)	13,483
Loan receivables		(88,644)	(151,322)
Lease receivables		(27,316)	(80,520)
Interest received		199,204	117,699
Other liabilities		9,421	13,301
		38,813	(126,913)
Taxation withheld at source		(2,847)	(878)
Interest paid		(117,247)	(48,701)
Net cash used in operating activities		(81,281)	(176,492)
Cash Flows from Investing Activities			
Term deposits with maturity periods in excess of 90 days		(5,409)	(79,806)
Acquisition of investments		(120,282)	-
Proceeds from sale of investments		80,090	-
Additions to property, plant and equipment	19	(7,237)	(28)
Net cash used in investing activities		(52,838)	(79,834)
Cash Flows from Financing Activities			
Dividends paid		(51,111)	(28,665)
Loans received		34,624	699,116
Loans repaid		(30,586)	(139,693)
Net cash (used in)/provided by financing activities		(47,073)	530,758
(Decrease)/Increase in net cash balances		(181,192)	274,432
Effects of foreign exchange rates changes on cash and cash equivalents		4,326	4,040
Cash and cash equivalents at beginning of year		439,293	160,821
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	262,427	439,293

Eppley Limited

Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Activities

Eppley Limited (the company) 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. On 29 July 2014, the company issued ordinary shares to the public, and became listed on the Junior Market of the Jamaica Stock Exchange.

The principal activity of the company is investing in credit products including insurance premium, loan and lease financing.

The company is also registered as a foreign company in the Republic of Panama.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to published standards effective in the current year

Certain new accounting standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and concluded that there were none that would be expected to have a material impact on the company.

Standards, interpretations and amendments to published accounting standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not yet effective, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be relevant to its operations and management is currently assessing the impact they may have on the company:

- **IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2018). The standard introduces new requirements for the classification and measurement of financial assets and liabilities and while it is effective from 1 January 2018, early adoption is permitted. The standard divides all financial assets and liabilities that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. This standard is a work in progress and will eventually replace IAS 39 in its entirety.

Eppley Limited
Notes to the Financial Statements
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2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published accounting standards that are not yet effective and have not been early adopted (continued)

- **IFRS 15, 'Revenue from contracts with customers'** (effective for annual periods beginning on or after 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. Early application is permitted.

- **IFRS 16, 'Leases'**, (effective for annual periods beginning on or after 1 January 2019). In January 2016, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets.

There are no other standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a significant impact on the operations of the company and have not been early adopted.

(b) Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company's activities. Revenue represents interest income earned on insurance premium, loan and lease financing and investments.

Interest income

Interest income is recognised in the statement of comprehensive income on a time proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate and continues unwinding the discount as interest income.

(c) Foreign currency translation
(i) *Functional and presentation currency*
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Jamaican dollars which is also the company's functional currency.

(ii) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

(d) Financial instruments
Financial instruments carried on the statement of financial position include insurance premium financing receivables, loans receivable, investment securities, other receivables, cash and deposits, borrowings, due to related parties and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The fair value of the company's financial instruments is discussed in Note 6.

(e) Cash and cash equivalents
Cash and cash equivalents are stated at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with maturity dates of less than 90 days from the dates of acquisition including cash and bank balances and deposits held on call with banks and bank overdraft.

(f) Insurance premium financing receivables
Insurance premium financing (IPF) receivables are non-derivative financial assets with fixed or determinable payments. They are initially recorded at fair value, which is the cash given to originate the receivable including transaction costs, and subsequently measured at amortised cost less provision for impairment of these receivables.

(g) Loans and leases receivable
Loans are recognised when the cash is advanced to borrowers. They are initially recorded at fair value, which is the cash given to originate the loan including any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

A provision for bad debts is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due will not be collected according to the original contractual terms. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for bad debt to its estimated recoverable amount, which is the present value of the expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

(h) Investments
Investments are classified as available-for-sale and fair value through profit or loss. Management determines the appropriate classification of investments at the time of purchase. Purchases and sales of investments are recognised on the trade, which is the date that the company commits to purchase or sell the asset.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading or designated at fair value through profit or loss at inception. Investments classified as fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed through profit or loss. Investments at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value of investments at fair value through profit or loss are presented in investment income in arriving at profit or loss.

Available for sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are initially recognised at fair value, which includes transaction costs, and subsequently carried at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in other comprehensive income.

Eppley Limited

Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Investments (continued)

Impairment of financial assets
A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The company assesses at each year end whether there is objective evidence that a financial asset is or group of financial assets are impaired. The amount of the impairment loss for assets carried at amortised costs is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is computed on the straight line method at rates estimated to write off the assets over their expected useful lives as follows:

Furniture, fixtures and equipment	10% - 25%
Motor vehicles	25%
Software	25%

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before taxation. Repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

(j) Impairment of long-lived assets

Long-lived assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(k) Receivables

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest.

(l) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective yield method.

Eppley Limited
Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(m) Accounts payable

Payables are recognised at fair value and subsequently measured at amortised cost.

(n) Put option premium

The company performs a liability adequacy test in accordance with IFRS 4 paragraph 15 to determine how to account for put option contracts. Based on the results of the liability adequacy test, a liability is either recognised or not and the related income is recognised when received.

(o) Taxation

Taxation on the profit or loss for the year comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income, except where they relate to items recorded in shareholders' equity, in which case they are charged or credited to equity.

(i) *Current taxation*

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at year end, and any adjustment to tax payable and tax losses in respect of the previous years.

(ii) *Deferred income taxes*

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

(p) Employee benefits

(i) Pension obligations

The company participates in the defined contribution pension plan of a related company, T. Geddes Grant (Distributors) Limited. A defined contribution pension plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions paid by the company are recorded as an expense in the statement of comprehensive income.

(ii) Accrued vacation

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end.

(iii) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Eppley Limited

Notes to the Financial Statements
31 December 2015
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(p) Employee benefits (continued)

(iv) Profit-sharing and bonus plan
The company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

In the process of applying the company's accounting policies, management has made no significant judgements on the amounts recognised in the financial statements.

(b) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Impairment losses on insurance premium financing, loans and leases
The company reviews its insurance premium and loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the accounts outstanding. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with default by the borrower. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Income taxes
There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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4. Financial Risk Management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's risk management programme seeks to minimise potential adverse effects on its financial performance.

The company's risk management policies are designed to identify and analyse these risks, to set appropriate limits and controls, and to monitor adherence by means of reliable and up-to-date information systems. The company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the company's risk management framework. The Board of Directors has established committees and departments for managing and monitoring risks, as follows:

(i) Investment Committee

The Investment Committee is responsible for recommending investment strategies and credit policies to the Board of Directors. It is also responsible for approving certain individual loans, leases and other credit investments in compliance with the company's policies.

(ii) Finance Department

The Finance Department is responsible for managing the company's accounting, financial reporting and compliance functions, including the management of the company's accounting and investment management information systems. It is also primarily responsible for managing the funding and liquidity risks of the company.

(iii) Audit Committee

The Audit Committee develops and recommends accounting and risk management policies to the Board of Directors. It also oversees management's compliance with the company's risk management policies and procedures. In addition, the Audit Committee regularly reviews the company's financial reporting and makes recommendations to the Board of Directors.

(a) Credit risk

The company takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the company by failing to discharge their contractual obligations. Credit risk is the most important risk for the company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the insurance premium financing receivables, lease receivable, loans receivable and cash and deposits. The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

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4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process

(i) Cash and deposits
The company limits its exposure to credit risk by placing cash and deposits with counterparties that are regulated and publicly disclose financial information. Management assesses each counterparty's credit quality and levels of liquidity. Accordingly, management seeks to mitigate the risk that any single counterparty will fail to meet its obligations. Furthermore, Management takes steps to diversify its cash and deposits among a group of counterparties in order to further mitigate the risk of loss.

(ii) Insurance premium financing
The company's exposure to credit risk is influenced mainly by its ability to receive adequate unearned premium refunds from its general insurance counterparties in the event of a default. Management assesses and monitors the credit worthiness of each counterparty. In most instances, the ultimate counterparties are general insurance companies regulated by the Financial Services Commission. The company, through its information systems and financial reporting, also closely monitors the size of the unearned premium under each underlying insurance policy to ensure that it exceeds its insurance premium finance receivable.

(iii) Leases and loans receivable
The company's exposure to credit risk is driven by the ability of the borrower or lessee to repay its obligations when due. In the case of loans, the company's credit risk can be mitigated by the assignment of salary and other cash flows, and security interest in various forms of collateral or guarantees. In the case of leases, the company owns the lease equipment and can monetize it in the event of a default. The Investment Committee is responsible for approving and monitoring individual loans, leases and other credit investments in compliance with investment strategies and credit policies approved by the Board of Directors. Senior management personnel meet on a weekly basis to discuss and analyse the ability of counterparties to meet repayment obligations.

Maximum exposure to credit risk

The company's maximum exposure to credit risk at year end was as follows:

	2015 **$'000**	**2014** **$'000**
Cash and deposits	348,196	519,791
Investment securities	47,606	-
Insurance premium financing receivables	114,501	113,516
Loans receivable	580,009	473,501
Lease receivables	285,886	253,361
	1,376,198	1,360,169

The above table represents a worst case scenario of credit risk exposure to the company at 31 December 2015 and 2014.

Eppley Limited

4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Insurance premium financing receivables
IPF receivables that are less than 90 days past due and for which the related insurance policies are still in force, are not considered impaired. There are no IPF receivables that are past due but not considered impaired.

As of 31 December 2015, IPF receivables of $3,709,000 (2014 – $3,865,000) were impaired and have been fully provided for. These receivables were in arrears for over 90 days and the related insurance policies had expired.

The movement on the provision for impairment of IPF receivables was as follows:

	2015 $'000	2014 $'000
At 1 January	3,865	2,485
Additional provision	447	2,567
Amounts recovered	(603)	(1,187)
At 31 December	3,709	3,865

Loans receivable
Loans receivable that are less than 90 days past due and those for which adequate collateral is in place are not considered impaired. As at 31 December 2015, there are no (2014 - nil) loans receivable that are less than 90 days past due and considered impaired.

As of 31 December 2015, loans receivables of $7,269,000 (2014 – $8,423,000) were considered to be impaired and are fully provided for. These receivables were all aged over 90 days.

The movement on the provision for impairment of loans receivables was as follows:

	2015 $'000	2014 $'000
At 1 January	8,423	7,981
Additional provision	-	442
Amounts recovered	(1,154)	-
At 31 December	7,269	8,423

The creation and release of provision for impaired receivables have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. There are no financial assets other than those listed above that were individually impaired. The provisions for impairment of accounts receivable and the bad debt expense do not include any amounts for related parties.

4. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfil loan payments and other liabilities incurred.

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Board of Directors, includes:

(i) Monitoring future cash flows and liquidity on a regular basis. This incorporates an assessment of expected cash flows and accessing credit from related parties or financial institutions if required;
(ii) Optimising cash returns on short term investments; and
(iii) Monitoring financial position liquidity ratios against internal requirements.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates and exchange rates.

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4. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial assets and liabilities cash flows
The tables below present the undiscounted cash flows of the company's financial assets and liabilities based on contractual repayment obligations at contractual maturity dates:

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Total $'000
As at 31 December 2015:					
Financial Assets					
Cash and deposits	262,741	-	-	91,436	354,177
Insurance premium financing	17,316	26,511	81,419	-	125,246
Leases	14,485	28,730	119,156	177,834	340,205
Loans receivable	325,649	28,389	120,933	156,940	631,911
Investment securities	-	-	-	50,092	50,092
Total financial assets	620,191	83,630	321,508	476,302	1,501,631
Financial Liabilities					
Due to related parties	1,653	-	-	-	1,653
Borrowings	11,223	32,634	122,853	1,286,593	1,453,303
Other liabilities	4,650	13,997	5,242	15,049	38,938
Total financial liabilities	17,526	46,631	128,095	1,301,642	1,493,894
Net Liquidity Gap	602,665	36,999	193,413	(825,340)	7,737
Cumulative gap	602,665	639,664	833,077	7,737	-
As at 31 December 2014:					
Financial Assets					
Cash and deposits	439,453	-	-	80,338	519,791
Insurance premium financing	21,174	23,212	75,381	-	119,767
Leases	12,612	25,534	107,483	158,606	304,235
Loans receivable	207,660	16,684	155,040	132,579	511,963
Total financial assets	680,899	65,430	337,904	371,523	1,455,756
Financial Liabilities					
Due to related parties	1,653	-	-	-	1,653
Borrowings	10,230	29,745	114,200	1,364,982	1,519,157
Other liabilities	9,816	7,336	9,901	2,497	29,550
Total financial liabilities	21,699	37,081	124,101	1,367,479	1,550,360
Net Liquidity Gap	659,200	28,349	213,803	(995,956)	(94,604)
Cumulative gap	659,200	687,549	901,352	(94,604)	-

Assets available to meet all of the liabilities and to cover financial liabilities include cash and term deposits.

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4. Financial Risk Management (Continued)

(c) Market risk

The company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis. There has been no change to the manner in which the Company manages and measures this risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to foreign exchange risk arising from the United States dollar. Foreign currency risk arises primarily from transactions in insurance premium, loan and lease financing net of borrowings. At 31 December 2015, the statement of financial position includes aggregate net foreign assets of US$4,265,000 (2014 - US$4,648,000).

The company manages the foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

Foreign currency sensitivity

The following tables indicate the currencies to which the company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates, with all other variables held constant. The sensitivity analysis on pre-tax profit is based on foreign currency denominated monetary items at the year end. As there are no foreign denominated investment securities, there is no impact on other components of equity.

	% Change in Currency Rate	Effect on Profit before Taxation	% Change in Currency Rate	Effect on Profit before Taxation
	2015	2015	2014	2014
USD - Revaluation	1%	(5,093)	1%	(5,047)
USD - Devaluation	8%	40,774	10%	50,465

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The following tables summarise the company's exposure to interest rate risk. It includes the company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

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4. Financial Risk Management (Continued)

(c) Market risk (continued)
Interest rate risk (continued)

	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2015:						
Financial Assets						
Cash and deposits	246,290	-	-	85,648	16,258	348,196
Insurance premium financing	16,223	25,153	73,125	-	-	114,501
Lease receivables	12,172	273,714	-	-	-	285,886
Loans receivable	317,070	25,196	107,692	130,051	-	580,009
Investment securities	-	-	-	47,606	-	47,606
Total financial assets	591,755	324,063	180,817	263,305	16,258	1,376,198
Financial Liabilities						
Due to related parties	-	-	-	-	1,653	1,653
Borrowings	-	-	-	1,048,104	500	1,048,604
Other liabilities	-	-	-	-	38,938	38,938
Total financial liabilities	-	-	-	1,048,104	41,091	1,089,195
Total interest repricing gap	591,755	324,063	180,817	(784,799)	(24,833)	287,003
Cumulative gap	591,755	915,818	1,096,635	311,836	287,003	-
At 31 December 2014:						
Assets						
Cash and deposits	285,914	-	-	80,338	153,539	519,791
Insurance premium financing receivables	19,443	21,313	72,760	-	-	113,516
Lease receivables	10,503	242,858	-	-	-	253,361
Loans receivable	199,992	14,964	139,061	119,484	-	473,501
Total financial assets	515,852	279,135	211,821	199,822	153,539	1,360,169
Liabilities						
Due to related parties	-	-	-	-	1,653	1,653
Borrowings	-	-	-	1,038,323	500	1,038,823
Other liabilities	-	-	-	-	29,550	29,550
Total financial liabilities	-	-	-	1,038,323	31,703	1,070,026
Total interest repricing gap	515,852	279,135	211,821	(838,501)	121,836	290,143
Cumulative gap	515,852	794,987	1,006,808	168,307	290,143	-

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4. Financial Risk Management (Continued)

(c) Market risk (continued)
Interest rate risk (continued)
Interest rate sensitivity
The company does not have any sensitivity to interest rate risk as all financial assets and liabilities are at fixed rates, except for lease receivables for which the company has the option to re-price in specific circumstances including, increases in the interest rates of benchmark Government of Jamaica securities and changes to the creditworthiness of the lessees.

5. Capital Management

Capital management is assessed by the senior management of the company. The objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

(i) To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(ii) To maintain a strong capital base to support the development of its business.

There were no changes to the company's approach to capital management during the year. The company is not subject to externally imposed capital requirements.

6. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. There are no financial assets and financial liabilities measured at fair value at the year end or the prior year.

The following methods and assumptions have been used in determining fair values for instruments not re-measured at their fair value after initial recognition.

(i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash, short-term deposits, insurance premium receivables, loans receivables and loans from related parties.

(ii) The carrying value of long term loans payable from external lenders approximate their fair values, as these loans are listed on an exchange and as at year end, the closing bid price represents the their carrying values, being the amortised cost.

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7. Segment Information

The operating segments are based on the reports reviewed by the Board of Directors that are used to make strategic investment decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

These segments represent the different types of credit offering that are written by the entity. Management identifies its reportable operating segments by product line consistent with the reports used by the Board of Directors. Operating segments are subject to change according to the Company's investment strategies. These segments and their respective operations are as follows:

- Insurance Premium Finance (IPF) - These represent short term loans issued to customers for the financing of insurance premiums. These contracts normally have a duration of 3 to 9 months.
- Loans – These represent credit extended to customers with average tenure of 2 - 5 years. These loans are mostly secured by collateral, guarantees and payroll deductions.
- Leases: - These represent credit extended for the purchase of equipment and motor vehicle and have a duration of 2 - 5 years.

2015	Insurance Premium Finance	Loans	Leases	Total
Interest income as per segment	26,284	115,372	36,935	178,591
Unallocated income				55,606
Unallocated expense				(178,119)
Profit before Taxation				56,078
Taxation				407
Net Profit				56,485

2014	Insurance Premium Finance	Loans	Leases	Total
Interest income as per segment	29,162	53,519	31,513	114,194
Unallocated income				36,529
Unallocated expense				(99,492)
Profit before Taxation				51,231
Taxation				(55)
Net Profit				51,176

Other profit and loss disclosures:

	2015 $'000	2014 $'000
Depreciation	2,986	1,187

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7. Segment Information (Continued)

Allocation of assets:

	Total Assets 2015 $'000	Total Assets 2014 $'000
Insurance premium finance	114,501	113,516
Loans	580,009	473,501
Leases	285,886	253,361
Total segment assets	980,396	840,378
Unallocated :-		
Cash and deposits	348,196	519,791
Taxation recoverable	4,166	1,319
Other receivables	51,195	50,186
Investment securities	47,606	-
Property, plant and equipment	7,499	3,248
Deferred taxation	79	-
Total Assets per Statement of Financial Position	1,439,137	1,414,922

Total capital expenditure was as follows:

	2015 $'000	2014 $'000
Property, plant and equipment	7,237	28

8. Other Operating Income

	2015 $'000	2014 $'000
Fee income	3,600	2,215
Foreign exchange gains	23,891	25,988
Other	7,117	4,839
	34,608	33,042

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9. Expenses by Nature

	2015 $'000	2014 $'000
Auditors' remuneration -	1,750	1,300
Depreciation and amortisation	2,986	1,187
Marketing and advertising	252	194
Bad debts (recovered)/expense	(1,310)	1,822
Professional fees	6,356	4,177
Rent and maintenance	1,371	1,224
Repairs and maintenance	800	707
Staff costs (Note 10)	37,272	32,340
Stationery	1,642	1,370
Utilities	1,532	963
Other	8,030	5,507
Total	60,681	50,791

10. Staff Costs

	2015 $'000	2014 $'000
Wages and salaries	30,864	26,909
Payroll taxes – employer's contribution	3,025	2,602
Pension costs	808	596
Other	2,575	2,233
	37,272	32,340

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11. Taxation

a. The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective July 2014. Consequently, the company is entitled to a remission of tax for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years:

Years 1 to 5	100%
Years 6 to 10	50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

b. Taxation is based on the profit for the year adjusted for taxation purposes and represents:

	2015 $'000	2014 $'000
Current income tax charge	-	-
Deferred tax (Note 21)	(407)	55
	(407)	55

c. The tax charge on the company's profit differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2015 $'000	2014 $'000
Profit before taxation	56,078	51,231
Tax calculated at 25% (2014 - 25%)	14,020	12,808
Adjusted for the effects of:		
Income not subject to tax	(50,932)	(37,508)
Expenses not deductible for tax	43,719	23,082
Net effect of other charges and allowances	(7,214)	1,673
	(407)	55

12. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to owners by the weighted average number of ordinary shares outstanding during the year.

	2015	2014
Net profit attributable to shareholders ($'000)	56,485	51,176
Weighted average number of shares outstanding ('000)	796	796
Earnings per share ($)	70.94	64.27

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13. Cash and Cash Equivalents

	2015 $'000	2014 $'000
Cash and bank balances	36,702	309,292
Term deposits	311,494	210,499
	348,196	519,791
Less: Term deposits with maturity period in excess of 90 days	(85,215)	(79,806)
Less: Interest receivable	(554)	(692)
	262,427	439,293

Included in cash and bank balances is a foreign currency current account which earns interest at 0.01% (2014 - 0.01%) per annum and Jamaican dollar current accounts which earn interest at 0.05 – 0.10% (2014 - 0.05 – 0.10%) per annum.

Short term deposits comprise of repurchase agreements with an average maturity of 20 days (2014 – 11 days) while term deposits with maturity period in excess of 90 days have an average maturity period of 342 days.

The weighted average effective interest rates on term deposits were as follows:

	2015 %	2014 %
J$ - short term deposits	5.70%	5.00
J$ - long term deposits	7.25%	9.00
US$ - short term deposits	1.25%	-

14. Other Receivables

	2015 $'000	2014 $'000
Prepaid expenses	89	34
Software deposit	4,626	-
GCT recoverable	41,306	50,152
Other	5,174	-
	51,195	50,186

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15. Insurance Premium Financing Receivables

	2015 $'000	2014 $'000
IPF loans receivable from affiliates	66,223	52,098
IPF loans receivable from external customers	59,022	71,534
Unearned interest	(7,035)	(6,251)
	118,210	117,381
Less: Provision for doubtful debts	(3,709)	(3,865)
	114,501	113,516

Insurance premium financing receivables include amounts with related parties (Note 20(b)).

16. Loans Receivable

	2015 $'000	2014 $'000
Loans receivable from affiliates	-	57,060
Loans receivable from external customers	587,278	424,864
	587,278	481,924
Less: Provision for doubtful debts	(7,269)	(8,423)
	580,009	473,501

Loans receivable include amounts with related parties (Note 20(b)).

17. Leases

	2015 $'000	2014 $'000
Gross investment in finance leases –		
Not later than one year	162,371	145,630
Later than one year and not later than five years	177,834	158,605
	340,205	304,235
Less: Unearned income	(54,319)	(50,874)
	285,886	253,361
Net investment in finance leases may be classified as follows:		
Not later than one year	136,446	121,278
Later than one year and not later than five years	149,440	132,083
	285,886	253,361

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18. Investment Securities

	2015 $'000	2014 $'000
Available-for-sale – at fair value		
Debt securities - Secured investment note	20,126	-
Interest receivable	524	-
	20,650	-
Fair value through profit or loss		
Units in Unit Trust Funds	26,956	-
	26,956	-
	47,606	-

The investment note is held as security for a reverse repurchase agreement (Note 22).

19. Property, Plant and Equipment

	Motor Vehicles $'000	Furniture, Fixtures & Equipment $'000	Computer software $'000	Total $'000
Cost -				
At 1 January 2014	3,328	3,364	-	6,692
Additions	-	28	-	28
At 31 December 2014	3,328	3,392	-	6,720
Additions	6,455	637	145	7,237
At 31 December 2015	9,783	4,029	145	13,957
Depreciation -				
At 1 January 2014	832	1,453	-	2,285
Charge for the year	832	355	-	1,187
At 31 December 2014	1,664	1,808	-	3,472
Charge for the year	2,446	504	36	2,986
At 31 December 2015	4,110	2,312	36	6,458
Net Book Value -				
31 December 2015	5,673	1,717	109	7,499
31 December 2014	1,664	1,584	-	3,248

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20. Related Party Transactions and Balances

(a) The statement of comprehensive income includes the following transactions with related parties –

	2015 $'000	2014 $'000
Interest income -		
Key management	752	747
Affiliate	37,501	18,146
	38,253	18,893
Interest expense -		
Affiliate	1,978	3,575
Key management compensation -		
Directors' fees	240	200
Salaries and other short term benefits	7,152	6,841
Management fees -		
Affiliate	2,912	2,272
Rental and maintenance expense -		
Affiliate	1,371	1,224

(b) The statement of financial position includes the following balances with group companies –

	2015 $'000	2014 $'000
Due to related parties -		
Affiliate	1,653	1,653
Loan due to related parties (Note 22) -		
Balance at the beginning of year	32,729	112,317
Loans received	-	53,612
Interest charged	1,978	3,575
Repayments	(1,978)	(140,998)
Foreign exchange translation	1,617	4,223
Balance at end of year	34,346	32,729
Insurance premium financing receivables -		
Affiliates (Note 15)	66,223	52,098

20. Related Party Transactions and Balances (Continued)

(b) The statement of financial position includes the following balances with group companies (continued) –

	2015 $'000	2014 $'000
Loan receivables:-		
(i) Affiliates		
Balance at the beginning of year	57,881	163,963
Loans issued	200,000	255,020
Interest earned	29,000	10,616
Repayments	(289,545)	(378,483)
Foreign exchange translation	2,664	6,765
Balance at end of year	-	57,881
(ii) Key management	7,504	7,746

Loans receivable from key management attract interest at an average rate of 9.5% (2014 – 9.5%) and are repayable within 12 months.

21. Deferred Income Taxes

Deferred income taxes are calculated on temporary differences under the liability methods using an effective tax rate of 12.5% (2014 – 12.5%).

The movement on the deferred income tax account is as follows:

	2015 $'000	2014 $'000
Balance as at 1 January	(328)	(273)
Statement of comprehensive income (Note 11)	407	(55)
Balance as at 31 December	79	(328)

Deferred income tax assets/(liabilities) are attributable to the following item:

	2015 $'000	2014 $'000
Property, plant and equipment	79	(328)

The movement in the statement of comprehensive income is attributable to the following:

	2015 $'000	2014 $'000
Property, plant and equipment	407	(55)
	407	(55)

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22. Borrowings

	2015 $'000	2014 $'000
Composition of borrowings		
(a) Loans from affiliates (Note 20 (b))	34,346	32,729
(b) Short term loan from external lender	13,192	-
(c) Long term loans from external lenders	1,001,066	1,006,094
	1,048,604	1,038,823
Less: Current portion		
Loans from affiliates	(34,346)	(32,729)
Loan from external lender	(13,192)	-
Long term loans from external lenders	(34,225)	(27,561)
Unwinding of unamortised fees within 12 months	13,431	12,871
Non-current borrowings	980,272	991,404

(a) This balance represents loans from two (2) affiliated companies. One of the loans represents $500,000 which does not attract interest, is unsecured and has no set repayment. The other loan represents a balance of US$281,000 from October 2014 to 31 December 2015 at 6% per annum. The repayment term was subsequently extended to 30 June 2016.

(b) The balance from external lender represents a reverse repurchase agreement with principal of $13 million with interest payable of $192,000 as at December 31, 2015. The reverse repurchase agreement has a maturity date of 13 January 2016. The reverse repurchase agreement is secured by Proven 10.5% 2017 Notes with a nominal value of $20 million (Note 18).

(c) Long term loans from external lenders

	2015 $'000	2014 $'000
Redeemable preference shares (i)	961,946	961,946
Less: Unamortised fees	(29,509)	(42,794)
	932,437	919,152
DB&K Limited (ii)	68,629	86,942
	1,001,066	1,006,094

(i) This represents 60,325,600 preference shares issued in November 2013 and 99,998,667 preference shares issued in November - December 2014 listed on the Junior Market of the Jamaica Stock Exchange and redeemable in November 2018 and November 2019 respectively. These preference shares were issued at interest of 9.50% and 10% respectively.

(ii) This represents two (2) unsecured loans of approximately US$777,000 and US$72,000 (approximately J$88 million and J$8 million) received during 2014 and 2015 respectively. The loans attract interest at 8% and are repayable in 36 months.

23. Other Liabilities

	2015 $'000	2014 $'000
Accruals	11,387	7,754
Due to clients	8,949	7,886
Other	18,602	13,910
	38,938	29,550

24. Share Capital

	2015 $'000	2014 $'000
Authorised -		
800,000 (2014 – 800,000) Ordinary shares of no par		
Issued and fully paid -		
796,249 (2014 – 796,249) stock units	181,189	181,189

25. Dividends

During the year, the company declared dividends to registered holders on record as follows:

	2015 $'000	2014 $'000
Ordinary dividends, gross - $64.19 (2014 – $36.00) per ordinary stock units	51,111	28,665

26. Pension Scheme

Employees participate in a defined contribution pension scheme operated by a related company, T. Geddes Grant (Distributors) Limited. The scheme is open to all permanent employees, as well as the employees of certain related companies. The scheme is funded by employees' compulsory contribution of 5% of earnings and voluntary contributions up to a further 5%, as well as employer's contribution of 5% of employees' earnings. The scheme is valued triennially by independent actuaries. The results of the most recent actuarial valuation, as at 31 December 2014, indicated that the scheme was solvent and that the available assets exceeded the total liabilities resulting in a surplus at that date.

Pension contributions for the period totalled $808,000 (2014 – $596,000) and are included in staff costs (Note 10).

27. Subsequent Events

The company declared an ordinary dividend of forty-three dollars and forty cents ($43.40) per stock unit to stockholders on record as at 26 February 2016 which was paid on 11 March 2016.

The company declared an ordinary dividend of nine dollars ($9.00) per stock unit to stockholders on record as at 11 April 2016 which will be paid on 20 April 2016.

PROXY FORM

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a Proxy to vote on her behalf. A Proxy need not be a member. A suitable form of Proxy is below.

The Proxy must be signed and deposited, duly stamped with duty at the Stamp Office, at the registered office of EPPLEY LIMITED at 58 Half Way Tree Road, Kingston, Jamaica, W.I. not less than 48 hours prior to the meeting.

I/We, ____

Name(s) of Shareholder(s)

of, ____

Address(es) of Shareholder(s)

in the parish of __________, being a member(s) of Eppley Limited

hereby appoint, ____

Name of Proxy

of, ____

Address of Proxy

or failing him, ____

Name of Alternative Proxy

of, ____

Address of Alternative Proxy

as my Proxy/our Proxy to vote on my/our behalf at the Annual General Meeting to be held on July 13, 2016.

This form is to be used IN FAVOUR of resolutions numbered_____.

This form is to be used AGAINST resolutions numbered_____.

Signed this ______ day of _______ 2016.

____

Signatures(s) of Shareholder(s)

58 HALF WAY TREE ROAD
KINGSTON, JAMAICA