



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

February 10, 2017

Fellow Shareholders,

Eppley produced earnings per share of \$0.66 in 2016, a 20.4% return for shareholders.<sup>1</sup> At the end of the quarter, our net asset value was \$3.69 per share.

#### Portfolio

At the end of the year we owned a \$1.9 billion investment portfolio consisting mainly of loans, leases and receivables. The average income yield of our portfolio was 14%. Our capital-at-risk was less than 1% of capital.

#### Capitalization and Liquidity

Our leverage was 1.9x of our capital at the end of the quarter and our average cost of debt was 10%. We ended the year with \$297 million of cash.

#### Financial Performance

Our profit after tax for the year was \$106.9 million compared to \$56.4 million in 2015. Further details on last year's financial performance will be contained in our annual report.

#### Impact of Joint Venture

In September we purchased an investment property through a joint venture in which we own a 50% interest. Our financial results include our share of the profits of this joint venture.

Last year, the joint venture recognized a one-time gain on the acquisition of the investment property. Our share of this gain was \$30.5 million. We consider this gain to be non-recurring. Excluding it, Eppley's net profit and earnings per share in 2016 were \$76.4 million and \$0.47, respectively.

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<sup>1</sup> Based on a cost basis of \$3.21 per share which assumes an investor subscribed in the IPO and fully participated in the rights issue (the equivalent of \$481 per share before our recent 150:1 stock split).

### Stock Split

Following the approval of our shareholders, in the last quarter we subdivided each of our ordinary shares into 150 ordinary shares. Unless otherwise noted, all per share data in this and future reports including historical information reflects the stock split.

### Dividend

Today, the Board of Directors approved a dividend of \$0.26 per share payable on March 10 to ordinary shareholders on record as of February 24.

This payment and the \$0.11 per share of ordinary dividends paid cumulatively in the first three quarters of the year represents a distribution of the vast majority of our profits to shareholders, excluding the unrealized gains from our investment property joint venture.

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

Sincerely,



Nigel L. Clarke  
Chairman



Nicholas A. Scott  
Managing Director

**EPPLEY LIMITED**

**FOURTH QUARTER 2016**

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

	<b>Unaudited 12 months ended Dec. 2016</b>	<b>Unaudited 12 months ended Dec. 2015</b>	<b>Unaudited 3 months ended Dec. 2016</b>	<b>Unaudited 3 months ended Dec. 2015</b>	<b>Audited 12 months ended Dec. 2015</b>
<b>Net Investment Income</b>					
Interest Income	210,145	199,589	61,858	54,032	199,589
Interest expense	<u>(115,918)</u>	<u>(117,438)</u>	<u>(30,890)</u>	<u>(29,496)</u>	<u>(117,438)</u>
Net interest income	94,227	82,151	30,967	24,536	82,151
Other operating income	60,880	34,607	5,893	9,628	34,608
Administrative expenses	(78,664)	(60,680)	(21,713)	(19,863)	(60,681)
Share of net profit from joint venture accounted for using the equity method	<u>30,469</u>	<u>-</u>	<u>30,469</u>	<u>-</u>	<u>-</u>
Profit before Taxation	106,912	56,078	45,617	14,301	56,078
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407</u>
<b>Net Profit being Total Comprehensive Income for the Year</b>	<b><u><u>106,912</u></u></b>	<b><u><u>56,078</u></u></b>	<b><u><u>45,617</u></u></b>	<b><u><u>14,301</u></u></b>	<b><u><u>56,485</u></u></b>
<b>EARNINGS PER SHARE (3)</b>	<b>\$0.66</b>	<b>\$0.47</b>	<b>\$0.24</b>	<b>\$0.12</b>	<b>\$0.47</b>

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

	<b>Unaudited Dec. 2016</b>	<b>Audited Dec. 2015</b>
<b>ASSETS</b>		
Cash and deposits	297,279	348,196
Taxation recoverable	6,033	4,166
Other receivable	65,661	51,195
IPF receivables	304,951	114,501
Loans receivables	906,979	580,009
Lease receivable	392,030	285,886
Investment securities	-	47,606
Investment in joint venture	93,582	-
Property, plant and equipment	16,406	7,499
Deferred taxation	79	79
	<u><b>2,083,000</b></u>	<u><b>1,439,137</b></u>
<b>LIABILITIES</b>		
Due to related parties	1,653	1,653
Taxation payable	1,082	1,082
Borrowings	1,333,119	1,048,604
Other liabilities	36,287	38,938
	<u><b>1,372,141</b></u>	<u><b>1,090,277</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	492,343	181,189
Retained earnings	218,515	167,671
	<u><b>710,859</b></u>	<u><b>348,860</b></u>
	<u><b>2,083,000</b></u>	<u><b>1,439,137</b></u>

Approved by the Board of Directors on February 10, 2017 and signed on its behalf by:




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**Nigel L. Clarke**  
Chairman




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**Nicholas A. Scott**  
Managing Director

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

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance as at 1 January 2015	181,189	162,297	343,486
Net Profit for the period		56,485	56,485
Dividends	-	(51,111)	(51,111)
<b>Balance as at 31 December, 2015</b>	<b><u>181,189</u></b>	<b><u>167,671</u></b>	<b><u>348,860</u></b>
Balance as at 1 January 2016	181,189	167,671	348,860
Net Profit for the period	-	106,912	106,912
Issue of Shares	311,153	-	311,153
Dividends	-	(56,069)	(56,069)
<b>Balance as at 31 December, 2016</b>	<b><u>492,343</u></b>	<b><u>218,514</u></b>	<b><u>710,859</u></b>

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

	<b>Unaudited 12 months ended Dec. 2016</b>	<b>Audited 12 months ended Dec. 2015</b>
<b>Cash Flows from Operating Activities</b>		
Net profit	106,912	56,485
Adjustments for items not affecting cash:		
Depreciation	6,942	2,986
Amortisation of Premium on Investments	126	67
Interest income	(210,145)	(199,589)
Interest expense	115,918	117,438
Realised gain on investment securities	(2,284)	(6,957)
Exchange (gains)/losses on foreign balances	(43,946)	(23,891)
Taxation	-	(407)
	<b>(26,477)</b>	<b>(53,868)</b>
<b>Changes in non-cash working capital components:</b>		
Other receivables	(13,593)	40
Insurance premium financing receivables	(178,621)	(24)
Loans receivable	(305,882)	(88,644)
Lease receivables	(94,119)	(27,316)
Interest received	210,507	199,204
Other liabilities	(2,255)	9,421
	<b>(410,440)</b>	<b>38,813</b>
Tax withheld at source/paid	(1,867)	(2,847)
Interest paid	(116,110)	(117,247)
<b>Net cash provided by/(used in) operating activities</b>	<b>(528,417)</b>	<b>(81,281)</b>

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

	<b>Unaudited 12 months ended Dec. 2016</b>	<b>Audited 12 months ended Dec. 2015</b>
<b>Cash Flows from Investing Activities</b>		
Term deposits with maturity periods in excess of 90 days	(230,000)	(5,409)
Acquisition of Investments	(16,658)	(120,282)
Investment in joint venture	(93,582)	-
Proceed from sale of investments	151,114	80,090
Additions to property, plant and equipment	(15,850)	(7,237)
<b>Net cash provided by/(used) in investing activities</b>	<b>(204,975)</b>	<b>(52,838)</b>
<b>Cash Flows from Financing Activities</b>		
Shares issued	311,153	-
Dividend paid	(56,069)	(51,111)
Loans received	403,485	34,624
Loans repaid	(122,875)	(30,586)
<b>Net cash (used in)/provided by financing activities</b>	<b>535,695</b>	<b>(47,073)</b>
Increase/(Decrease) in net cash balance	(197,697)	(181,192)
Effects of foreign exchange rates changes on cash and cash equivalents	1,834	4,326
<b>Cash and cash equivalents at beginning of year</b>	<b>262,426</b>	<b>439,293</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>66,563</b>	<b>262,427</b>



### **Ten Largest Shareholders**

*(at December 31, 2016)*

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nominee Limited	48,052,050
Shani Limited	20,598,900
General Accident Insurance Company (Jamaica) Limited	17,653,500
Coldharbour Partners Inc.	15,244,350
Curmudgeon Limited	8,283,000
Michael Subratie	8,040,450
Jennifer Catherine Scott	7,002,150
Ravers Limited	5,348,700
Musson (Jamaica) Limited	2,749,800

### **Shareholdings of Directors**

*(at December 31, 2016)*

	Direct	Connected
Nigel Clarke	795,750	20,598,900
Melanie Subratie	-	20,403,300
Nicholas Scott	-	23,527,350
Sharon Donaldson	786,450	-
Jennifer Scott	7,002,150	-
Keith Collister	-	-
Byron Thompson	483,750	-
Maxim Rochester	956,850	-
Alexander Melville	-	-
P.B. Scott	-	20,403,300

### **Shareholdings of Executives**

*(at December 31, 2016)*

	Direct	Connected
Nadia Jervis	1,016,400	-
Justin Nam	1,357,050	-
Jacquelin Watson	1,024,650	-

**1. Identification and Activities**

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

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

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

**2. Statement of Compliance and Basis of Preparation**

These unaudited interim financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), and the relevant provisions of the Companies Act.

The interim financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets carried at fair value.

The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2015. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

**3. Earnings Per Share**

	<b>Unaudited 12 months ended Dec. 2016</b>	<b>Unaudited 12 months ended Dec. 2015</b>	<b>Unaudited 3 months ended Dec. 2016</b>	<b>Unaudited 3 months ended Dec. 2015</b>	<b>Audited 12 months ended Dec. 2015</b>
Net Profit being Total Comprehensive Income for the Year	106,912	56,078	45,617	14,301	56,485
Weighted Average Shares Outstanding	<u>162,855,750</u>	<u>119,437,350</u>	<u>192,468,300</u>	<u>119,437,350</u>	<u>119,437,350</u>
<b>EARNINGS PER SHARE</b>	<b>0.66</b>	<b>0.47</b>	<b>0.24</b>	<b>0.12</b>	<b>0.47</b>

On November 15, 2016, the ordinary shareholders of the company resolved that each ordinary stock unit in the capital of the company be subdivided into 150 stock units in accordance with the Articles of Incorporation. The stock split became effective on December 1, 2016.

The earnings per share (EPS) calculations reflect the stock split effective December 1, 2016. However, for comparison the previous periods were also amended to reflect the stock split.

#### 4. Cash and Cash Equivalents

	<b>Unaudited 12 months ended Dec. 2016</b>	<b>Audited 12 months ended Dec. 2015</b>
Cash and bank balances	67,279	36,702
Term Deposits	230,000	311,494
	<u>297,279</u>	<u>348,196</u>
Less: Term deposits with maturity period in excess of ninety days	(230,000)	(85,215)
Less: Interest Receivable	(716)	(554)
	<u>66,563</u>	<u>262,427</u>

#### 5. Investment in Joint Venture

The company made an investment in a joint venture arrangement during the quarter ended September 30, 2016.