EPPLEY LIMITED

ANNUAL REPORT 2016

EPPLEY
LIMITED

ANNUAL LETTER TO SHAREHOLDERS

Fellow Shareholders,

Eppley produced earnings per share of $0.66 in 2016, a 20.4% return for shareholders. Our net asset value at the end of the year was $3.69 per share.

Investment Strategy

There is an old saying that just two competing forces drive markets: greed and fear.

When we first wrote to you in 2013, fear was in the ascendency. The economy was in recession and inflation was almost in double digits.

Not surprisingly, investors were in a foul mood. The stock market fell by 12.5% that year, a second straight year of decline. Credit markets were also choppy with interest rates high and terms tight for all but the most credit worthy of borrowers.

We repositioned Eppley and developed our investment strategy in response to this environment. Believing that markets were incorrectly pricing credit risk, we focused exclusively on originating and investing in loans, leases, receivables and other forms of credit. Since then our emphasis has continued to be on areas overlooked by traditional financiers where attractive returns are the easiest to find, adjusted as always for the risk of loss.

In last year's letter, we wrote:

"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."

The investment environment is markedly different today than it was in 2013 or even a year ago. We are experiencing some of the most favorable economic conditions in recent memory. The economy grew by almost 2% in 2016 and has now registered eight straight quarters of expansion. Inflation is at multi-decade lows.

Investors' animal spirits have awakened. After almost doubling in 2015, the stock market grew by 25% last year. Credit markets are also becoming looser. The Bank of Jamaica recently reported that credit conditions eased to their most favorable levels since they began collecting data in 2013 citing "lenders instituting more relaxed lending policies in their attempts at preserving or increasing market share."

At Eppley, we see these conditions at play daily. As fear has receded and greed has begun to assert itself, we now see banks and even pension funds in areas of the credit market that were vacant only a few years ago. Finding attractive opportunities in loans, leases and receivables is harder than it used to be.

Eppley remains very small relative to the size of the market in which we operate. This luxury affords us the chance to cherry pick only the best opportunities if we are patient and have the discipline to walk away. Thankfully this means that while it is getting harder, we can still put capital to work in our core credit investments.

We have also expanded our investment universe.

For example, last year together with joint venture partners we made a large commercial real estate investment. That opportunity provided us with a chance to acquire a stream of tenanted cash flow at a higher yield than many investments in our credit portfolio. Furthermore, with the economy growing, inflation low and single digit mortgage rates, we also expect to see modest increases in the value of the property over time.

We also recently formed the Caribbean Mezzanine Fund, an investment vehicle that Eppley co-manages with our partners at NCB Capital Markets. The Fund allows us to take advantage of much broader set of opportunities by investing throughout the capital structure. It also allows us to invest much larger amounts of capital than we could using our own balance sheet alone and to look at deals across the entire Caribbean. We are pleased to a report that the Fund made its inaugural investment in the first quarter of 2017.

We designed Eppley to be flexible and adaptive. As greed and fear continue to ebb and flow, market conditions will change. In response Eppley's investment strategy will continue to evolve. Nevertheless, our commitment to generate consistent risk-adjusted returns for shareholders will remain unchanged.

Portfolio

At the end of 2016, our investment portfolio was $1.9 billion. The gross income yield on our portfolio was 14% and the average tenor of our investments was just over a year. Our delinquencies were negligible.

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

Portfolio Summary

	Investment assets, millions	Average yield, %
Insurance premium finance receivables	305.0	15%
Loans	907.0	16%
Leases	392.0	14%
Cash	297.3	6%
Total	1,901.3	14%

In our insurance premium finance business, we finance thousands of insurance premiums each year. We originate these receivables because 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 that of the insurer. This arrangement provides attractive returns with low credit risk.

Historically, we have mainly financed personal lines premiums mostly for homeowners and motor vehicle insurance. Last year, we increasingly financed larger premiums for corporate clients. As a result, the size the portfolio more than doubled while our average yield fell.

Our portfolio of loans also grew significantly last year. Our lending activities remain opportunistic and sporadic. We provide unsecured and secured loans to consumers and small businesses. At the same time, we also provide large structured loans to some of the most prominent firms in the country. In all instances, counterparties rely on Eppley to provide flexible risk capital and tailored lending solutions when they are not readily available from traditional lenders.

Our lease portfolio continued to expand in 2016. Eppley now owns motor vehicles and equipment worth almost $400 million which we in turn lease to various businesses. These counterparties chose to do business with Eppley because leases provide an efficient low-cost alternative to loans and yet are not widely available in Jamaica. Towards the end of the year, we closed the largest leasing transaction in our history.

Funding and Capitalization

Last year we raised capital twice. In May, we completed a $317 million rights issue of our ordinary shares which was fully subscribed by existing investors. In November, we continued our preference share program with a $361 million new issue. The new preference shares carry a dividend yield significantly lower than our other outstanding issues and helped lower our overall cost of funds.

At the end of the year our cash position was $297 million. Our leverage ratio including our preference shares was 1.9x. Our average effective cost of debt was about 10%.

Stock Split

Following the approval of our shareholders, in the fourth 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.

Financial Performance

Our profit after tax in 2016 was $106.7 million or a 20% return on average shareholders' equity. Adjusted for the depreciation of the US dollar, this represents a 13.3% return in hard currency.

Shareholders should note that our profit last year included an unrealized gain on the purchase of commercial real estate owned by our joint venture. The $30.5 million unrealized gain is mainly our share of the difference between the price we paid to acquire the property and its fair value as appraised by an independent valuator. While we expect the value of the property to increase over time, there is no question that this one-time gain is extraordinary and non-recurring.

Excluding the effects of this gain, our profit last year was $76.2 million. This still is materially higher than our $56.4 million of profits in 2015 (and incidentally is the highest annual profit in Eppley's history). It also represents a respectable 14.5% return on average shareholders' equity.

Dividends

Eppley paid ordinary dividends of $0.11 per share in the last three quarters of 2016. In the first quarter of 2017, the Board also declared a dividend of $0.26 per share. Consistent with our dividend policy, Eppley distributed the vast majority of its 2016 profit to shareholders excluding the unrealized gains from our property investment.

Subject to Board discretion, we aim to maintain this dividend policy in 2017.

Operations

Eppley's day to day affairs are managed by a team of a dozen dedicated professionals. As the size and scope of our business has grown, this reliable group has managed the business with distinction. We thank them for their judgement, hard work and dedication to Eppley.

In summary, 2016 was a good year. Even excluding the effects of the gain on our commercial real estate investment, Eppley delivered acceptable returns to shareholders.

In 2017, we expect to continue to selectively originate and invest in credit, deploy the capital we manage in the Caribbean Mezzanine Fund and seize on opportunities in our expanding investment universe.

Cordially,

Nigel L. Clarke
Chairman

Nicholas A. Scott
Managing Director

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of EPPLEY LIMITED ("the Company") will be held at 10:00am on June 20, 2017 at 58 Half Way Tree Road for the shareholders to consider, and if thought fit, to pass the following resolutions:

Ordinary Resolutions

1. To receive the report of the Board of Directors and the audited accounts of the Company for the financial year ended December 31, 2016.

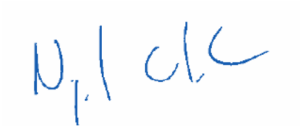
2. To authorise the Board of Directors to reappoint PricewaterhouseCoopers as the auditors of the Company, and to fix their remuneration.

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) Melanie Subratie
   (b) Sharon Donaldson
   (c) Nigel Clarke

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

Dated this 28th day of April 2017 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, 2016.

Financial Results

The Statement of Comprehensive Income for the Company shows pre-tax profit of $106.9 million and net profit for the year of $106.7 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

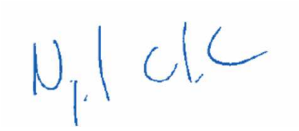
The Directors of the Company as at December 31, 2016 are: Nigel Clarke, Nicholas Scott, P.B. Scott, Melanie Subratie, Sharon Donaldson, Jennifer Scott, Keith Collister, Byron Thompson, Maxim Rochester and Alexander Melville.

The Directors to retire by rotation in accordance with the Articles of Incorporation are Melanie Subratie, Sharon Donaldson and Nigel Clarke 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, 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	17,653,200
Coldharbour Partners Inc.	15,244,350
Curmudgeon Limited	8,283,000
Michael Subratie	8,040,450
Jennifer 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	-
P.B. Scott	-	20,403,300
Alexander Melville	-	-

SHAREHOLDINGS OF EXECUTIVES

(at December 31, 2016)

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

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.

Registrar
Jamaica Central Securities Depository
40 Harbour Street
Kingston, Jamaica W.I.

Eppley Limited

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31 December 2016

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Independent auditor's report

To the Members of
Eppley Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Eppley Limited (the "Company") as at 31 December 2016, 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.

What we have audited

Eppley Limited's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2016;
- the statement of financial position as at 31 December 2016;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Internal 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Recardo Nathan.

PricewaterhouseCoopers

Chartered Accountants
31 March 2017
Kingston, Jamaica

Eppley Limited

Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Net Investment Income			
Interest income		210,145	199,589
Interest expense		(115,918)	(117,438)
Net Interest Income		94,227	82,151
Other operating income	8	60,880	34,608
Administrative expenses	9	(78,664)	(60,681)
Share of net profit from joint venture accounted for using the equity method	19	30,469	-
Profit Before Taxation		106,912	56,078
Taxation	11	(225)	407
Net Profit, Being Total Comprehensive Income For The Year		106,687	56,485
Earnings per Share	12	$0.66	$0.47

Eppley Limited

Statement of Financial Position
31 December 2016
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Assets			
Cash and deposits	13	297,279	348,196
Taxation recoverable		6,033	4,166
Other receivables	14	65,661	51,195
Insurance premium financing receivables	15	304,951	114,501
Loans receivable	16	906,979	580,009
Lease receivables	17	392,030	285,886
Investment securities	18	-	47,606
Investment in joint venture	19	93,582	-
Property, plant and equipment	20	16,406	7,499
Deferred taxation	21	-	79
Total assets		2,082,921	1,439,137
Liabilities			
Due to related parties	22	1,653	1,653
Taxation payable		1,082	1,082
Deferred taxation	21	146	-
Borrowings	23	1,333,119	1,048,604
Other liabilities	24	36,289	38,938
Total liabilities		1,372,289	1,090,277
Shareholders' Equity			
Share capital	25	492,343	181,189
Retained earnings		218,289	167,671
Total shareholders' equity		710,632	348,860
Total Liabilities and Equity		2,082,921	1,439,137

Approved for issue by the Board of Directors on 30 March 2017 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 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
Balance at 1 January 2015		181,189	162,297	343,486
Total comprehensive income for the year		-	56,485	56,485
Transactions with owners -				
Dividends	26	-	(51,111)	(51,111)
Balance at 31 December 2015		181,189	167,671	348,860
Total comprehensive income for the year		-	106,687	106,687
Transactions with owners -				
Issue of shares	25	311,154	-	311,154
Dividends	26	-	(56,069)	(56,069)
Balance at 31 December 2016		492,343	218,289	710,632

Eppley Limited

Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Cash Flows from Operating Activities			
Net profit		106,687	56,485
Adjustments for:			
Depreciation	20	6,943	2,986
Amortisation of premium on investments		126	67
Interest income		(210,145)	(199,589)
Interest expense		115,918	117,438
Unrealised gains on investment securities		(2,284)	(6,957)
Exchange gains on foreign currency denominated balances		(43,946)	(23,891)
Share of profits from joint venture	19	(30,469)	-
Taxation	11	225	(407)
		(56,945)	(53,868)
Changes in non-cash working capital components:			
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
		(440,908)	38,813
Taxation withheld at source		(1,867)	(2,847)
Interest paid		(116,110)	(117,247)
Net cash used in operating activities		(558,885)	(81,281)
Cash Flows from Investing Activities			
Term deposits with maturity periods in excess of 90 days		(144,785)	(5,409)
Acquisition of investment securities		(16,658)	(120,282)
Investment in joint venture	19	(63,113)	-
Proceeds from sale of investment securities		65,898	80,090
Additions to property, plant and equipment	20	(15,850)	(7,237)
Net cash used in investing activities		(174,508)	(52,838)
Cash Flows from Financing Activities			
Shares issued		311,154	-
Dividends paid		(56,069)	(51,111)
Loans received		403,485	34,624
Loans repaid		(122,875)	(30,586)
Net cash provided by/(used in) financing activities		535,695	(47,073)
Decrease in net cash balances		(197,698)	(181,192)
Effects of foreign exchange rates changes on cash and cash equivalents		1,834	4,326
Cash and cash equivalents at beginning of year		262,427	439,293
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	13	66,563	262,427

Eppley Limited

Notes to the Financial Statements
31 December 2016
(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 2013, 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 has adopted the following which is relevant to its operations.

- **Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative** (effective for annual periods beginning on or after 1 January 2016). The amendments do not require specific changes. However, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. Preparers should consider their financial statements in light of these clarifications and whether there is an opportunity to clarify or improve the disclosure. The order of the notes needs to balance understandability and comparability and changes should generally result from a specific change in facts and circumstances.

- **Amendment to IFRS 11,'Joint arrangements' on acquisition of an interest in a joint operation',** (effective for annual periods beginning on or after 1 January 2016) The main objective in amending IFRS 11 was to clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

The adoption of the above amendments effective 1 January 2016 did not have any significant impact on the company's financial statements.

Eppley Limited

Notes to the Financial Statements
31 December 2016
(expressed in Jamaican dollars unless otherwise indicated)

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

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). In July 2015, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

  Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- **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.

- **Amendments to IFRS 15, 'Revenue from contracts with customers'** (effective 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance.

- **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.

Eppley Limited

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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)

- **Amendments to IAS 12, 'Income Taxes**, (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 12 clarifying specifically how to account for deferred tax assets related to debt instruments measured at fair value as well as clarifying the guidance for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets.

- **Amendments to IAS 7, 'Statement of Cash Flows'**, (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The future adoption of these amendments will result in additional disclosure in the financial statements.

- **Annual improvements 2014–2016** (effective for annual periods beginning on or after 1 January 2018) These amendments include changes from the 2014-16 cycle of the annual improvements project, that affect the following standards: IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017; and IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- **IFRIC 22, 'Foreign currency transactions and advance consideration'** (effective for annual periods beginning on or after 1 January 2018) This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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.

Eppley Limited

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

(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.

(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) 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.

(f) 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.

(g) 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.

2. Summary of Significant Accounting Policies (Continued)

(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.

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) Investment in joint venture

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the statement of financial position. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the company's share of the post-acquisition profits or losses of the investee in profit or loss, and the company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the company and its joint venture entity are eliminated to the extent of the company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the company.

Eppley Limited

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2. Summary of Significant Accounting Policies (Continued)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) Accounts payable

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

(o) 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.

(p) 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.

Eppley Limited

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2. Summary of Significant Accounting Policies (Continued)

(q) 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.

(r) 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.

(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.

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.

(iii) Classification of joint arrangements

The joint venture agreement in relation to Retirement Road Holdings Limited require unanimous consent from all parties for all relevant activities. The partners have rights to the net assets of the arrangement. This entity is therefore classified as a joint venture and the company recognises its share of the results for the year.

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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.

Eppley Limited

Notes to the Financial Statements
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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:

	2016 **$'000**	**2015** **$'000**
Cash and deposits	297,279	348,196
Investment securities	-	47,606
Insurance premium financing receivables	304,951	114,501
Loans receivable	906,979	580,009
Lease receivables	392,030	285,886
	1,901,239	1,376,198

The above table represents a worst case scenario of credit risk exposure to the company at 31 December 2016 and 2015.

Eppley Limited
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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 2016, IPF receivables of $3,917,000 (2015 – $3,709,000) 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:

	2016 $'000	2015 $'000
At 1 January	3,709	3,865
Additional provision	316	447
Amounts recovered	(108)	(603)
At 31 December	3,917	3,709

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 2016, there are no (2015 - nil) loans receivable that are less than 90 days past due and considered impaired.

As of 31 December 2016, loans receivable of $6,091,000 (2015 – $7,269,000) 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 receivable was as follows:

	2016 $'000	2015 $'000
At 1 January	7,269	8,423
Additional provision	693	-
Amounts recovered	(1,871)	(1,154)
At 31 December	6,091	7,269

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.

Eppley Limited

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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.

Eppley Limited

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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 2016:					
Financial Assets					
Cash and deposits	66,563	-	245,615	-	312,178
Insurance premium financing	9,551	13,224	300,297	-	323,072
Lease receivables	18,740	37,643	155,536	262,169	474,088
Loans receivable	609,109	34,197	186,830	120,049	950,185
Total financial assets	703,963	85,064	888,278	382,218	2,059,523
Financial Liabilities					
Due to related parties	1,653	-	-	-	1,653
Borrowings	14,480	42,012	145,484	1,649,023	1,850,999
Other liabilities	6,014	10,494	4,406	15,375	36,289
Total financial liabilities	22,147	52,506	149,890	1,664,398	1,888,941
Net Liquidity Gap	681,816	32,558	738,388	(1,282,180)	170,582
Cumulative gap	681,816	714,374	1,452,762	170,582	-
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
Lease receivables	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	412,944	384,866	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	284,849	(916,776)	7,737
Cumulative gap	602,665	639,664	924,513	7,737	-

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

Eppley Limited

Notes to the Financial Statements
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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 2016, the statement of financial position includes aggregate net foreign assets of US$5,530,000 (2015 - US$4,265,000).

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 2016	Effect on Profit before Taxation 2016	% Change in Currency Rate 2015	Effect on Profit before Taxation 2015
USD - Revaluation	1%	(7,044)	1%	(5,093)
USD - Devaluation	6%	42,263	8%	40,774

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.

Eppley Limited

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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 2016:						
Financial Assets						
Cash and deposits	17,646	-	230,716	-	48,917	297,279
Insurance premium financing	9,131	12,643	283,177	-	-	304,951
Lease receivables	15,496	376,534	-	-	-	392,030
Loans receivable	593,373	31,308	174,917	107,381	-	906,979
Total financial assets	635,646	420,485	688,810	107,381	48,917	1,901,239
Financial Liabilities						
Due to related parties	-	-	-	-	1,653	1,653
Borrowings	-	-	-	1,332,619	500	1,333,119
Other liabilities	-	-	-	-	36,289	36,289
Total financial liabilities	-	-	-	1,332,619	38,442	1,371,061
Total interest repricing gap	635,646	420,485	688,810	(1,225,238)	10,475	530,178
Cumulative gap	635,646	1,056,131	1,744,941	519,703	530,178	-
At 31 December 2015:						
Assets						
Cash and deposits	246,290	-	85,648	-	16,258	348,196
Insurance premium financing receivables	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	266,465	177,657	16,258	1,376,198
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	266,465	(870,447)	(24,833)	287,003
Cumulative gap	591,755	915,818	1,182,283	311,836	287,003	-

Eppley Limited

Notes to the Financial Statements
31 December 2016
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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.

Eppley Limited

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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 vehicles and have a duration of 2 - 5 years.

2016	Insurance Premium Finance	Loans	Leases	Total
	$'000	$'000	$'000	$'000
Interest income as per segment	41,824	112,592	45,326	199,742
Unallocated income				71,283
Share of net profit from joint venture				30,469
Unallocated expense				(194,582)
Profit before Taxation				106,912
Taxation				(225)
Net Profit				106,687

2015	Insurance Premium Finance	Loans	Leases	Total
	$'000	$'000	$'000	$'000
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

Other profit and loss disclosures:

	2016 $'000	2015 $'000
Depreciation	6,943	2,986

Eppley Limited

Notes to the Financial Statements
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7. Segment Information (Continued)

Allocation of assets:

	Total Assets 2016 $'000	Total Assets 2015 $'000
Insurance premium finance	304,951	114,501
Loans	906,979	580,009
Leases	392,030	285,886
Total segment assets	1,603,960	980,396
Unallocated :-		
Cash and deposits	297,279	348,196
Taxation recoverable	6,033	4,166
Other receivables	65,661	51,195
Investment securities	-	47,606
Investment in joint venture	93,582	-
Property, plant and equipment	16,406	7,499
Deferred taxation	-	79
Total Assets per Statement of Financial Position	2,082,921	1,439,137

Total capital expenditure was as follows:

	2016 $'000	2015 $'000
Property, plant and equipment	15,850	7,237

8. Other Operating Income

	2016 $'000	2015 $'000
Fee income	7,484	3,600
Foreign exchange gains	43,946	23,891
Other	9,450	7,117
	60,880	34,608

Eppley Limited

Notes to the Financial Statements
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9. Expenses by Nature

	2016 $'000	2015 $'000
Auditors' remuneration -	2,035	1,750
Depreciation and amortisation	6,943	2,986
Marketing and advertising	286	252
Bad debts recovered	(970)	(1,310)
Professional fees	7,394	6,356
Rent and maintenance	1,456	1,371
Repairs and maintenance	834	800
Staff costs (Note 10)	48,054	37,272
Stationery	1,899	1,642
Utilities	1,770	1,532
Other	8,963	8,030
Total	78,664	60,681

10. Staff Costs

	2016 $'000	2015 $'000
Wages and salaries	40,128	30,864
Payroll taxes – employer's contribution	3,831	3,025
Pension costs	1,007	808
Other	3,088	2,575
	48,054	37,272

Eppley Limited

Notes to the Financial Statements
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11. Taxation

a. The company's shares were listed on the Junior Market of the Jamaica Stock Exchange, effective July 2015. 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:

	2016 $'000	2015 $'000
Current income tax charge	-	-
Deferred tax (Note 21)	225	(407)
	225	(407)

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

	2016 $'000	2015 $'000
Profit before taxation	106,912	56,078
Tax calculated at 25% (2015 - 25%)	26,728	14,020
Adjusted for the effects of:		
Income not subject to tax	(55,566)	(50,932)
Expenses not deductible for tax	47,154	43,719
Joint venture's results reported net of tax	(7,617)	-
Net effect of other charges and allowances	(10,474)	(7,214)
	225	(407)

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.

	2016	2015
Net profit attributable to shareholders ($'000)	106,687	56,485
Weighted average number of shares outstanding ('000)	162,856	119,437
Earnings per share ($)	0.66	0.47

Eppley Limited

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13. Cash and Cash Equivalents

	2016 $'000	2015 $'000
Cash and bank balances	66,563	36,702
Term deposits	230,716	311,494
	297,279	348,196
Less: Term deposits with maturity period in excess of 90 days	(230,000)	(85,215)
Less: Interest receivable	(716)	(554)
	66,563	262,427

Included in cash and bank balances are foreign currency current accounts which earn interest at 0.10 -0.15% (2015 - 0.01%) per annum and Jamaican dollar current accounts which earn interest at 0.05 – 0.35% (2015 - 0.05 – 0.10%) per annum.

Term deposits with maturity period in excess of 90 days have an average maturity period of 349 days (2015 – 342 days). At the end of 2015, deposits with maturity periods less than 90 days had an average maturity period of 20 days.

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

	2016 %	2015 %
J$ - short term deposits	-	5.70%
J$ - long term deposits	7.10%	7.25%
US$ - short term deposits	-	1.25%

14. Other Receivables

	2016 $'000	2015 $'000
Prepaid expenses	137	89
Software deposit	-	4,626
GCT recoverable	56,749	41,306
Other	8,775	5,174
	65,661	51,195

15. Insurance Premium Financing Receivables

	2016 $'000	2015 $'000
IPF loans receivable from affiliates	130,090	66,223
IPF loans receivable from external customers	192,982	59,022
Unearned interest	(14,204)	(7,035)
	308,868	118,210
Less: Provision for doubtful debts	(3,917)	(3,709)
	304,951	114,501

Insurance premium financing receivables include amounts with related parties (Note 22(b)).

Eppley Limited

Notes to the Financial Statements
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16. Loans Receivable

	2016 $'000	2015 $'000
Loans receivable from affiliates	100,444	-
Loans receivable from external customers	812,626	587,278
	913,070	587,278
Less: Provision for doubtful debts	(6,091)	(7,269)
	906,979	580,009

Loans receivable include amounts with related parties (Note 22(b)).

17. Lease Receivables

	2016 $'000	2015 $'000
Gross investment in finance leases –		
Not later than one year	211,918	162,371
Later than one year and not later than five years	262,170	177,834
	474,088	340,205
Less: Unearned income	(82,058)	(54,319)
	392,030	285,886
Net investment in finance leases may be classified as follows:		
Not later than one year	175,238	136,446
Later than one year and not later than five years	216,792	149,440
	392,030	285,886

18. Investment Securities

	2016 $'000	2015 $'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 was held as security for a reverse repurchase agreement (Note 23).

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19. Investment in Joint Venture

The company entered into a joint venture agreement with effect from 1 September 2016, where it owns a fifty percent (50%) share in Retirement Road Holdings Limited (RRHL), a company incorporated in St. Lucia. RRHL is the holding company for a Jamaican property owner. The company's investment in RRHL is accounted for using the equity method.

	2016 $'000	2015 $'000
Investment at cost	63,113	-
Share of profits from joint venture	30,469	-
	93,582	-

The tables below provide summarised financial information for the joint venture which, in the opinion of the directors, is material to the company.

Summarised Statement of Financial Position

	2016 $'000	2015 $'000
Cash and cash equivalents	17,405	-
Other current assets	197	-
Non-current assets	460,000	-
Total assets	477,602	-
Current liabilities	8,100	-
Non-current financial liabilities	282,339	-
Total liabilities	290,439	-
Net assets	187,163	-

Summarised Statement of Comprehensive Income

	2016 $'000	2015 $'000
Revenue	17,601	-
Interest income	99	-
Depreciation	-	-
Interest expense	(9,940)	-
Profit before tax	60,938	-
Taxation	-	-
Profit after tax	60,938	-
Other comprehensive income	-	-
Total comprehensive income	60,938	-

Eppley Limited

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19. Investment in Joint Venture (Continued)

Reconciliation to carrying amounts

	2016 $'000	2015 $'000
Opening net assets at 1 January	-	-
Capital invested	126,225	-
Profit for the period	60,938	-
Other comprehensive income	-	-
Dividends paid	-	-
Closing net assets	187,163	-
Company's share (%)	50	-
Carrying amount	93,582	-

There are no commitments nor contingent liabilities relating to the company's interest in RRHL.

20. Property, Plant and Equipment

	Motor Vehicles $'000	Furniture, Fixtures & Equipment $'000	Computer software $'000	Total $'000
Cost -				
At 1 January 2015	3,328	3,392	-	6,720
Additions	6,455	637	145	7,237
At 31 December 2015	9,783	4,029	145	13,957
Additions	8,935	487	6,428	15,850
At 31 December 2016	18,718	4,516	6,573	29,807
Depreciation -				
At 1 January 2015	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
Charge for the year	4,680	620	1,643	6,943
At 31 December 2016	8,790	2,932	1,679	13,401
Net Book Value -				
31 December 2016	9,928	1,584	4,894	16,406
31 December 2015	5,673	1,717	109	7,499

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21. Deferred Income Taxes

Deferred income taxes are calculated on temporary differences under the liability methods using an effective tax rate of 12.5% (2015 – 12.5%).

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

	2016 $'000	2015 $'000
Balance as at 1 January	79	(328)
Statement of comprehensive income (Note 11)	(225)	407
Balance as at 31 December	(146)	79

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

	2016 $'000	2015 $'000
Property, plant and equipment	(146)	79

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

	2016 $'000	2015 $'000
Property, plant and equipment	(225)	407

22. Related Party Transactions and Balances

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

	2016 $'000	2015 $'000
Interest income -		
Key management	2,536	752
Affiliate	17,271	37,501
	19,807	38,253
Interest expense -		
Affiliate	402	1,978
Key management compensation -		
Directors' fees	220	240
Salaries and other short term benefits	26,714	20,211
Post- employment benefits	705	485
Management fees -		
Joint venture	(283)	-
Affiliate	2,000	2,912
Rental and maintenance expense -		
Affiliate	1,456	1,371

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22. Related Party Transactions and Balances (Continued)

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

	2016 $'000	2015 $'000
Due to related parties -		
Affiliate	1,653	1,653
Loan due to related parties (Note 23) -		
Balance at the beginning of year	34,346	32,729
Loans received	40,000	-
Interest charged	402	1,978
Repayments	(74,652)	(1,978)
Foreign exchange translation	404	1,617
Balance at end of year	500	34,346
Insurance premium financing receivables -		
Affiliates (Note 15)	130,090	66,223

	2016 $'000	2015 $'000
Loan receivables:-		
(i) Affiliates		
Balance at the beginning of year	-	57,881
Loans issued	100,000	200,000
Interest earned	8,451	29,000
Repayments	(8,007)	(289,545)
Foreign exchange translation	-	2,664
Balance at end of year	100,444	-
(ii) Key management	50,952	7,504

Loans receivable from key management attract interest at an average rate of 9.5% and 12% (2015 – 9.5%) and are repayable within 12 months.

Eppley Limited

Notes to the Financial Statements
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23. Borrowings

	2016 $'000	2015 $'000
Composition of borrowings		
(a) Loans from affiliates (Note 22 (b))	500	34,346
(b) Short term loan from external lender	-	13,192
(c) Long term loans from external lenders	1,332,619	1,001,066
	1,333,119	1,048,604
Less: Current portion		
Loans from affiliates	(500)	(34,346)
Loan from external lender	-	(13,192)
Long term loans from external lenders	(36,407)	(34,225)
Unwinding of unamortised fees within 12 months	15,793	13,431
Non-current borrowings	1,312,005	980,272

(a) This balance represents a loan of $500,000 from a related party which does not attract interest, is unsecured and has no set repayment. The balance at 31 December 2015 included a loan which attracted interest at 6% per annum. This loan was fully repaid in the year.

(b) The short term loan from external lender represented a reverse repurchase agreement with a principal of $13 million. The loan was repaid in the year.

(c) Long term loans from external lenders

	2016 $'000	2015 $'000
Redeemable preference shares (i)	1,323,530	961,946
Less: Unamortised fees	(27,608)	(29,509)
	1,295,922	932,437
DB&K Limited (ii)	36,697	68,629
	1,332,619	1,001,066

(i) This represents 60,325,600 preference shares issued in November 2013, 99,998,667 preference shares issued in November - December 2015 and 60,264,000 preference shares issued in December 2016 listed on the Junior Market of the Jamaica Stock Exchange and redeemable in November 2018, November 2019 and December 2021 respectively. These preference shares were issued at interest rates of 9.50%, 11% and 8.25% 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 2015 and 2016 respectively. The loans attract interest at 8% and are repayable in 36 months.

24. Other Liabilities

	2016 $'000	2015 $'000
Accruals	9,746	11,387
Due to clients	9,531	8,949
Other	17,012	18,602
	36,289	38,938

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25. Share Capital

	2016 $'000	2015 $'000
Authorised -		
195,000,000 (2015 – 120,000,000) Ordinary shares of no par		
Issued and fully paid -		
192,468,300 (2015 – 119,437,350) stock units	492,343	181,189

The ordinary shareholders of the company resolved in April 2016 to increase the authorised share capital from 800,000 to 1,300,000 units. In May 2016, the ordinary shareholders also approved a rights issue which resulted in the issuance of 486,873 shares at a price of $650 per share gross of associated expenses. The ordinary shareholders further resolved to a stock split of 150 units for every ordinary share owned. The effective date of the stock split was 1 December 2016. As a result of the stock split, all prior period stock data presented in the financial statements have been adjusted to reflect the subdivision.

26. Dividends

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

	2016 $'000	2015 $'000
First interim dividend, gross - $0.29 (2015 – $0.25) per ordinary stock units	34,557	29,613
Second interim dividend, gross - $0.06 (2015 – $0.06) per ordinary stock units	7,166	7,166
Third interim dividend, gross - $0.04 (2015 – $0.06) per ordinary stock units	7,173	7,166
Fourth interim dividend, gross - $0.04 (2015 – $0.06) per ordinary stock units	7,173	7,166
	56,069	51,111

27. 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 2016, 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 $1,007,000 (2015 – $808,000) and are included in staff costs (Note 10).

28. Subsequent Events

The company declared an ordinary dividend of twenty-six cents ($0.26) per stock unit to stockholders on record as at 24 February 2017 which was paid on 10 March 2017.

The company entered into a joint venture agreement with a local financial institution to co-manage an investment fund with effect from 6 March 2017.

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 June 20, 2017.

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

This form is to be used AGAINST resolutions numbered_____.

Signed this _____ day of _____ 2017.

_____

Signatures(s) of Shareholder(s)

EPPLEY

58 HALF WAY TREE ROAD
KINGSTON, JAMAICA