

EPPLEY LIMITED

SECOND QUARTER 2017



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

August 14, 2017

Fellow Shareholders,

Eppley produced earnings per share of \$0.16 in the first half of the year, a 4.9% return for shareholders.¹ At the end of the quarter, our net asset value was \$3.55 per share.

Portfolio

At the end of the quarter we owned a \$2.4 billion investment portfolio consisting mainly of loans, leases and receivables. The average income yield of our portfolio was 13%. Our capital-at-risk was less than 1% of capital.

Capitalization and Liquidity

Our leverage was 2.5x our capital at the end of the quarter and our average cost of debt was 9%. We ended the quarter with \$636 million of cash.

Financial Performance

Our profit after tax for the first half was \$30.5 million compared to the \$40.5 million we earned in the first half of last year.

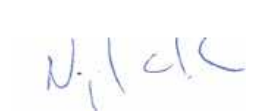
¹ Based on a cost basis of \$3.21 per share which assumes an investor subscribed in the IPO and fully participated in the rights issue (the equivalent of \$481 per share before our recent 150:1 stock split).

Dividend

Today, the Board of Directors approved a dividend of 3.72 cents per share payable on September 12 to ordinary shareholders on record as of August 29.

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

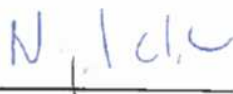
Eppley Limited
Statement of Comprehensive Income
(Jamaican dollars in thousands)

	Unaudited 6 months ended Jun. 2017	Unaudited 6 months ended Jun. 2016	Unaudited 3 months ended Jun. 2017	Unaudited 3 months ended Jun. 2016	Audited 12 months ended Dec. 2016
Net Investment Income					
Interest Income	124,229	92,434	61,689	48,461	210,145
Interest expense	(73,889)	(56,747)	(37,028)	(28,170)	(115,918)
Net interest income	50,341	35,687	24,661	20,291	94,227
Other operating income	22,766	40,351	12,680	28,708	60,880
Administrative expenses	(42,637)	(35,570)	(22,343)	(19,094)	(78,664)
Share of net profit from joint venture accounted for using the equity method	74	-	(393)	-	30,469
Profit before Taxation	30,544	40,468	14,605	29,906	106,912
Taxation	-	-	-	-	(225)
Net Profit being Total Comprehensive Income for the Year	30,544	40,468	14,605	29,906	106,687
EARNINGS PER SHARE (3)	\$0.16	\$0.30	\$0.08	\$0.20	\$0.66

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

	Unaudited Jun. 2017	Unaudited Jun. 2016	Audited Dec. 2016
ASSETS			
Cash and deposits	636,772	186,544	297,279
Taxation recoverable	6,764	5,509	6,033
Other receivable	65,304	71,443	65,661
IPF receivables	366,559	320,074	304,951
Loans receivables	899,591	787,532	906,979
Lease receivable	342,328	312,606	392,030
Investment securities	28,846	-	-
Investment in joint venture	93,656	-	93,582
Property, plant and equipment	13,570	10,946	16,406
Deferred taxation	-	79	-
	<u>2,453,391</u>	<u>1,694,734</u>	<u>2,082,921</u>
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	1,082	1,082	1,082
Deferred taxation	146	-	146
Borrowings	1,710,234	994,088	1,333,119
Other liabilities	56,301	39,154	36,289
	<u>1,769,415</u>	<u>1,035,976</u>	<u>1,372,289</u>
SHAREHOLDERS' EQUITY			
Share capital	492,343	492,343	492,343
Retained earnings	191,631	166,416	218,289
	<u>683,976</u>	<u>658,759</u>	<u>710,632</u>
	<u>2,453,391</u>	<u>1,694,734</u>	<u>2,082,921</u>

Approved by the Board of Directors on August 14, 2017 and signed on its behalf by:



Nigel L. Clarke
Chairman



Nicholas A. Scott
Managing Director

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

	Share Capital	Retained Earnings	Total
Balance as at 1 January 2016	181,189	167,671	348,860
Net Profit for the period	-	40,468	40,468
Issue of Shares	311,153	-	311,153
Dividends	-	(41,723)	(41,723)
Balance as at 30 June, 2016	<u>492,342</u>	<u>166,415</u>	<u>658,759</u>
Balance as at 1 January 2017	492,343	218,289	710,632
Net Profit for the period	-	30,544	30,544
Issue of Shares	-	-	-
Dividends	-	(57,202)	(57,202)
Balance as at 30 June, 2017	<u>492,343</u>	<u>191,631</u>	<u>683,976</u>

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

	Unaudited 6 months ended Jun. 2017	Unaudited 6 months ended Jun. 2016	Audited 12 months ended Dec. 2016
Cash Flows from Operating Activities			
Net profit	30,544	40,468	106,687
Adjustments for items not affecting cash:			
Depreciation	3,064	2,148	6,943
Amortisation of premium on investments	-	126	126
Interest income	(124,229)	(92,434)	(210,145)
Interest expense	73,889	56,747	115,918
Realised gain on investment securities	-	(2,284)	(2,284)
Exchange (gains)/losses on foreign balances	(1,715)	(32,165)	(43,946)
Share of profits from joint venture	(74)	-	(30,469)
Taxation	-	-	225
	<u>(18,521)</u>	<u>(27,395)</u>	<u>(56,945)</u>
Changes in non-cash working capital components:			
Other receivables	315	(19,537)	(13,593)
Insurance premium financing receivables	(61,376)	(196,656)	(178,621)
Loans receivable	7,482	(191,593)	(305,882)
Lease receivables	50,072	(17,219)	(94,119)
Interest received	121,021	93,166	210,507
Other liabilities	20,026	530	(2,255)
	<u>119,019</u>	<u>(358,703)</u>	<u>(440,908)</u>
Tax withheld at source/paid	(731)	(1,343)	(1,867)
Interest paid	(73,889)	(56,939)	(116,110)
Net cash provided by/(used in) operating activities	<u>44,399</u>	<u>(416,985)</u>	<u>(558,885)</u>

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

	Unaudited 6 months ended Jun. 2017	Unaudited 6 months ended Jun. 2016	Audited 12 months ended Dec. 2016
Cash Flows from Investing Activities			
Term deposits with maturity periods in excess of 90 days	-	(60,000)	(144,785)
Acquisition of Investments	(28,863)	(16,658)	(16,658)
Investment in joint venture	-	-	(63,113)
Proceed from sale of investments	130,000	151,114	65,898
Additions to property, plant and equipment	(228)	(5,596)	(15,850)
Net cash provided by/(used) in investing activities	100,910	68,860	(174,507)
Cash Flows from Financing Activities			
Shares issued	-	311,153	311,154
Dividend paid	(57,202)	(41,723)	(56,069)
Loans received	395,313	6,722	403,485
Loans repaid	(19,405)	(64,317)	(122,875)
Net cash (used in)/provided by financing activities	318,706	211,835	535,695
Increase/(Decrease) in net cash balance	464,015	(136,290)	(197,698)
Effects of foreign exchange rates changes on cash and cash equivalents	2,270	61	1,834
Cash and cash equivalents at beginning of year	66,563	262,427	262,427
CASH AND CASH EQUIVALENTS AT END OF PERIOD	532,848	126,199	66,563

Ten Largest Shareholders

(at June 30, 2017)

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	1,928,594

Shareholdings of Directors

(at June 30, 2017)

	Direct	Connected
Nigel Clarke	795,750	20,598,900
Melanie Subratie	-	1,928,594
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	-	1,928,594
Alexander Melville	-	-

Shareholdings of Executives

(at June 30, 2017)

	Direct	Connected
Nadia Jervis	1,016,400	-
Justin Nam	1,356,050	-
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, 2016. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

3. Earnings Per Share

	Unaudited 6 months ended Jun. 2017	Unaudited 6 months ended Jun. 2016	Unaudited 3 months ended Jun. 2017	Unaudited 3 months ended Jun. 2016	Audited 12 months ended Dec. 2016
Net Profit being Total Comprehensive Income for the Year	30,544	40,468	14,605	29,906	106,687
Weighted Average Shares Outstanding	<u>192,468,300</u>	<u>133,080,450</u>	<u>192,468,300</u>	<u>146,723,700</u>	<u>162,855,750</u>
EARNINGS PER SHARE	0.16	0.30	0.08	0.20	0.66

4. Cash and Cash Equivalents

	Unaudited 6 months ended Jun. 2017	Unaudited 6 months ended Jun. 2016	Unaudited 12 months ended Dec. 2016
Cash and bank balances	484,061	81,044	67,279
Term Deposits	<u>152,711</u>	<u>105,501</u>	<u>230,000</u>
	636,772	186,544	297,279
Less: Term deposits with maturity periods in excess of ninety days	(100,000)	(60,000)	(230,000)
Less: Interest Receivable	<u>(3,924)</u>	<u>(345)</u>	<u>(716)</u>
	532,848	126,199	66,563