

**EPPLEY LIMITED**

**ANNUAL REPORT 2017**



## ANNUAL LETTER TO SHAREHOLDERS

Fellow Shareholders,

Eppley produced earnings per share of \$0.36 in 2017, an 11.2% return for shareholders.<sup>1</sup> Our net asset value at the end of the year was \$3.68 per share.

### Investment Strategy

Two classic aphorisms worth reflecting on are: *“What the wise do in the beginning, fools do in the end”* and *“To a man with a hammer, everything looks like a nail.”*

To investors, these sayings underscore the importance of continuously revising one’s approach in the face of new information even when things are going well.

We touched on this theme towards the end of last year’s letter when we wrote:

*“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 evolve. Nevertheless, our commitment to generate consistent risk-adjusted returns for shareholders will remain unchanged.”*

We would like to start this year’s letter by sharing our latest thoughts on our investment strategy with you.

Our objective at Eppley remains to produce stable and attractive returns by exploiting inefficiencies in Caribbean financial markets. Updating our strategy just means revising the methods we use to achieve this goal.

When we started, we were focused mainly on investing in credit in Jamaica for our own account. Today, Eppley is increasingly investing in mezzanine and real estate across the region using investment funds we manage in addition to our own resources.

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<sup>1</sup> Based on the cost basis of \$3.21 per share which assumes an investor subscribed in the IPO and fully participated in the rights issue. Last year’s return on average equity was 10%.

In 2013 when we developed our original investment strategy, banks were reticent to take on corporate credit risk except on the strictest of terms. Back then opportunities to lend to high-quality counterparties at rates significantly above the risk of default abounded.

Times have changed. As economic conditions have improved, and memories of defaults have receded, banks are now much more willing to lend. Even pension funds have gotten into the act. Recently, entire new entities have been conjured just to exploit credit opportunities. All this attention has driven rates down and eroded the attractiveness of corporate credit as an asset class.

Fortunately, given Eppley's modest size we're still able to selectively cherry-pick attractive credit opportunities (albeit with increasing difficulty). Investing in loans, leases and receivables will continue to form an important part of our business for the foreseeable future. However, in the current environment the growth of our credit investments is likely to slow.

We believe that an attractive risk reward trade-off exists today in mezzanine and commercial real estate assets in Jamaica and across the region. Furthermore, we think its most efficient for Eppley to seize these opportunities through our investment funds in addition to using our own balance sheet alone.

Even as credit flows more freely today, there remains a dearth of risk capital in the Caribbean. Mezzanine investments, which sit between equity and debt, serve a dual purpose. On the one hand they provide companies with badly needed access to flexible, responsive, and patient risk capital. On the other hand, they give investors greater downside protection than equity and provide recurring income and a clear timeline on the return of capital. We think this duality is especially well-suited for our region.

To take advantage of this opportunity, last year Eppley launched the Caribbean Mezzanine Fund with our partners and co-managers NCB Capital Markets. The fund is the first mezzanine fund focused on the Caribbean. We've been able to deploy capital faster than we had anticipated and are pleased with the quality of our growing portfolio. Reminiscent of our earlier foray into corporate credit, we seldom find ourselves in highly competitive situations in the mezzanine space.

The investment thesis for commercial real estate is also compelling. Unlike residential real estate, there are several factors that restrict the universe of likely buyers including: larger transaction sizes, lower loan-to-value ratios and greater operational complexity.

For Eppley the same attributes that have served us well in our other private market investments in credit and mezzanine like relationships, negotiating skill, decisiveness, speed and access to finance are directly applicable to commercial real estate.

In late 2016 together with our joint venture partners, we purchased the Empire shopping centre in Cross Roads. We've since secured new anchor tenants, refurbished the buildings, improved its

operating margins and refinanced our original acquisition loan. To date on our J\$63 million investment, we've realized J\$46 million of gains.

More recently we've announced that Eppley will be expanding its focus on real estate by acquiring control and management of the Fortress Caribbean Property Fund, a closed-end mutual fund listed on the Barbados and Trinidad and Tobago stock exchanges. The Fund has operated for almost 20 years and has over 2,000 unitholders. The acquisition gives Eppley immediate management control of US\$40 million of high-quality properties and a platform to significantly grow and diversify. We expect the acquisition to close in the second quarter following which the fund will be renamed the Eppley Caribbean Property Fund.

Both the Caribbean Mezzanine Fund and Eppley Caribbean Property Fund will allow Eppley to refocus on new asset classes. Additionally, they also improve the stability of our income and the resilience of our business by allowing us to earn management fees in addition to sharing in the appreciation of assets we manage. Finally, they allow us to grow the scale and scope of Eppley's business beyond the limits imposed by our own capital.

At Eppley we are stubbornly focused on delivering consistent returns to shareholders for the long-term and in any market condition. To do so we will periodically reevaluate our strategy, using the proverbial hammer when its called for but also whatever other tools are required to get the job done.

### Portfolio

At the end of 2017, our investment portfolio was \$2.3 billion.<sup>2</sup> The gross income yield on our portfolio was 12%. 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	324.1	16%
Loans	1,142.40	13%
Leases	382.3	13%
Real estate joint venture	109.7	15%
Investment securities	80.3	0%
Cash	315.3	6%
Total	2,354.10	12%

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<sup>2</sup> Excludes non-investment assets of \$91.7 million, mainly consisting of GCT receivables related to our leases.

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 motor vehicle insurance. We are now also financing larger premiums for corporate clients increasing the size of the portfolio but decreasing its average yield.

Last year, our portfolio of loans grew to over J\$1 billion for the first time. We mostly provide large structured loans to some of the most prominent firms in the country. Counterparties rely on Eppley to provide flexible, tailored lending solutions when they are not readily available from traditional lenders.

Eppley is now one of the largest commercial lessors in Jamaica. We own motor vehicles and industrial equipment worth \$380 million which we in turn lease to various businesses. Lessees chose to do business with Eppley because leases provide an efficient low-cost alternative to loans and yet are not widely available in Jamaica.

We own the Empire shopping centre together with our joint venture partners. Last year we improved our occupancy levels and the quality of our tenants. We also continued to upgrade the property. Because of these developments and buoyancy in the Kingston property market generally, the value of the property appreciated by over 8%. Our share of this gain and the property's operating profits last year was \$16 million.

#### Funding and Capitalization

Eppley has continued to lower its borrowing cost over the last year and to diversify its base of funding. In May we completed a \$394 million issue of short-term US dollar notes. After the end of year, we also decided to redeem our 2019 preference shares early. Our two newly issued series of 2021 and 2023 preference not only carry lower dividend yields but also extend our maturity profile.

At the end of the year our liquidity position including cash was \$315 million. Our leverage ratio was 2.4x and our effective cost of debt was 9%.

#### Financial Performance

Our profit after tax in 2017 was \$69.2 million or a 10% return on average shareholders' equity. Adjusted for the appreciation of the Jamaican dollar, this represents a 12.7% return in hard currency.

Our profitability was significantly lower than that in 2016. Our net interest income and fees both grew considerably reflecting the health of our core business. However, we also experienced

foreign exchange losses as the dollar appreciated on an annual basis for only the second time in 20 years. On balance, our profitability declined.

### Dividends

Eppley paid ordinary dividends of \$0.0372 per share in the last three quarters of 2017. In the first quarter of 2018, the Board also declared a dividend of \$0.1642 per share. Consistent with our dividend policy, Eppley distributed the vast majority of its 2017 profit to shareholders excluding the unrealized gains from our property joint venture.

Subject to Board discretion, we aim to maintain this dividend policy in 2018.

### Operations

Eppley's day-to-day affairs are managed by a team of a dozen dedicated professionals. As the size 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.

Last year, we expanded the size of the team. However, as the size and scope of our business expands even further we will continue to add talent in our investment, accounting and administrative functions.

### Governance

Following his appointment as Minister of Finance in March, Nigel Clarke resigned as a Director and Chairman of Eppley. Nigel played a pivotal role in providing oversight to our business as it developed over the last 5 years. We will miss his leadership, but we also know that our loss will be Jamaica's gain. The Board of Directors voted unanimously to appoint P.B. Scott as Eppley's new Chairman.

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In summary, 2017 was a disappointing year. Despite the growth and strong performance of our investment portfolio, reductions in our funding cost and profitable expansions into new asset classes, Eppley made less money than it did in 2016 due to foreign exchange losses. Fortunately, while we expect growth in our underlying earnings to continue and the resilience of our business to improve, we don't expect to experience large foreign exchange losses on a recurrent basis.

In 2018, we plan to manage Eppley in line with our investment strategy: continuing to selectively originate and invest in credit while focusing on deploying the capital we manage in the Caribbean Mezzanine Fund and the Eppley Caribbean Property Fund.

Cordially,



P.B. Scott  
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 September 10, 2018 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, 2017.
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) P.B. Scott
  - (b) Keith Collister
  - (c) Alexander Melville
4. To authorise the Board of Directors to fix the remuneration of the Directors.

Dated this 27<sup>th</sup> day of April 2018 by order of the Board of Directors.



P.B. Scott  
Chairman

## DIRECTORS' REPORT

The Directors are pleased to present their report for EPPLEY LIMITED for the financial year ended December 31, 2017.

### Financial Results

The Statement of Comprehensive Income for the Company shows pre-tax profit of \$69.2 million and net profit for the year of \$69.2 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, 2017 were: Nigel Clarke, Nicholas Scott, P.B. Scott, Melanie Subratie, Sharon Donaldson, Jennifer Scott, Keith Collister, Byron Thompson, Maxim Rochester and Alexander Melville. Nigel Clarke resigned as a director on March 26, 2018.

The Directors to retire by rotation in accordance with the Articles of Incorporation are P.B Scott, Keith Collister and Alexander Melville 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,

Handwritten signature of P.B. Scott, consisting of a stylized 'P' and 'S' followed by a flourish.

P.B. Scott  
Chairman



TEN LARGEST SHAREHOLDERS

*(at December 31, 2017)*

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nominee Limited	48,052,050
Shani Limited	20,598,900
Coldharbour Partners Inc.	15,244,350
Perseverance Limited	14,155,350
Curmudgeon Limited	8,283,000
Michael Subratie	8,040,450
Caribprop Limited	7,500,000
Ravers Limited	5,348,700
Caona Investments Limited	3,000,000

SHAREHOLDINGS OF DIRECTORS

*(at December 31, 2017)*

	Direct	Connected
Nigel Clarke	795,750	20,598,900
Melanie Subratie	-	4,287,134
Nicholas Scott	-	23,527,350
Sharon Donaldson	786,450	-
Jennifer Scott		14,155,350
Keith Collister	-	-
Byron Thompson	483,750	-
Maxim Rochester	956,850	-
P.B. Scott	-	8,787,134
Alexander Melville	-	-

SHAREHOLDINGS OF EXECUTIVES

*(at December 31, 2017)*

	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**

**Consolidated Financial Statements  
31 December 2017**

# Eppley Limited

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31 December 2017

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## *Independent auditor's report*

To the Members of Eppley Limited

### *Report on the audit of the consolidated and stand-alone financial statements*

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#### *Our opinion*

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Eppley Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2017, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone 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 consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the company statement of financial position as at 31 December 2017;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### *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 consolidated and stand-alone 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 Group 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.

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

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott, B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore



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## *Our audit approach*

### **Audit scope**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone 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.

### **How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our 2017 audit was planned and executed having regard to the fact that the operations of the Company remained largely unchanged from the prior year other than the formation of two wholly-owned subsidiaries during the year, of which one commenced trading in December 2017. It had material loan and receivable and inter-company balances, which were audited by the Group Engagement Team however, given the minimal number of transactions in the period, the formation and consolidation of the subsidiaries was not considered a key audit matter.

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### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone 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.

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## *Other information*

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

Our opinion on the consolidated and stand-alone 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 consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone 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.



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### *Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements*

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

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and 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 Group, the Company or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone 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 consolidated and stand-alone 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 consolidated and stand-alone 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 Group and 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 Group and 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 consolidated and stand-alone 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated and stand-alone 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.



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**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 consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

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

*PricewaterhouseCoopers*

Chartered Accountants  
29 March 2018  
Kingston, Jamaica

# Eppley Limited

## Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Net Investment Income</b>			
Interest income		261,407	210,145
Interest expense		<u>(158,394)</u>	<u>(115,918)</u>
<b>Net Interest Income</b>		103,013	94,227
Other operating income	8	36,892	60,880
Administrative expenses	9	(87,895)	(78,664)
Share of net profit from joint venture accounted for using the equity method	19	<u>16,131</u>	<u>30,469</u>
<b>Profit Before Taxation</b>		68,141	106,912
Taxation	11	<u>1,082</u>	<u>(225)</u>
<b>Net Profit, Being Total Comprehensive Income For The Year</b>		<u><u>69,223</u></u>	<u><u>106,687</u></u>
Earnings per Share	12	<u><u>\$0.36</u></u>	<u><u>\$0.66</u></u>

# Eppley Limited

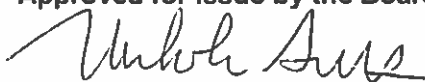
## Consolidated Statement of Financial Position

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

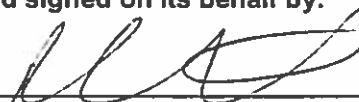
	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
Cash and deposits	13	315,300	297,279
Taxation recoverable		8,967	6,033
Other receivables	14	72,193	65,661
Insurance premium financing receivables	15	324,076	304,951
Loans receivable	16	1,142,384	906,979
Lease receivables	17	382,318	392,030
Investment securities	18	80,344	-
Investment in joint venture	19	109,725	93,582
Property, plant and equipment	20	10,485	16,406
<b>Total assets</b>		<u>2,445,792</u>	<u>2,082,921</u>
<b>Liabilities</b>			
Due to related parties	22	1,653	1,653
Taxation payable		-	1,082
Deferred taxation	21	146	146
Borrowings	23	1,692,727	1,333,119
Other liabilities	24	42,932	36,289
<b>Total liabilities</b>		<u>1,737,458</u>	<u>1,372,289</u>
<b>Shareholders' Equity</b>			
Share capital	25	492,343	492,343
Retained earnings		215,991	218,289
<b>Total shareholders' equity</b>		<u>708,334</u>	<u>710,632</u>
<b>Total Liabilities and Equity</b>		<u>2,445,792</u>	<u>2,082,921</u>

Approved for issue by the Board of Directors on 28 March 2018 and signed on its behalf by:



Nicholas A. Scott

Managing Director



Paul B. Scott

Director

**Eppley Limited****Consolidated Statement of Changes in Equity****Year ended 31 December 2017****(Expressed in Jamaican dollars unless otherwise indicated)**

	Note	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2016		181,189	167,671	348,860
Total comprehensive income for the year		-	106,687	106,687
<b>Transactions with owners -</b>				
Issue of shares		311,154	-	311,154
Dividends	26	-	(56,069)	(56,069)
<b>Balance at 31 December 2016</b>		<b>492,343</b>	<b>218,289</b>	<b>710,632</b>
Total comprehensive income for the year		-	69,223	69,223
<b>Transactions with owners -</b>				
Dividends	26	-	(71,521)	(71,521)
<b>Balance at 31 December 2017</b>		<b>492,343</b>	<b>215,991</b>	<b>708,334</b>

# Eppley Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		69,223	106,687
Adjustments for:			
Depreciation	20	6,149	6,943
Amortisation of premium on investments		-	126
Interest income		(261,373)	(210,145)
Interest expense		158,394	115,918
Unrealised gains on investment securities		(1,497)	(2,284)
Exchange loss/(gains) on foreign currency denominated balances		(6,225)	(43,946)
Share of profits from joint venture		(16,131)	(30,469)
Taxation		(1,082)	225
		<u>(52,542)</u>	<u>(56,945)</u>
Changes in non-cash working capital components:			
Other receivables		(6,532)	(13,593)
Insurance premium financing receivables		(19,125)	(178,621)
Loans receivable		(235,406)	(305,882)
Lease receivables		9,712	(94,119)
Interest received		261,144	210,507
Other liabilities		6,644	(2,255)
		<u>(36,105)</u>	<u>(440,908)</u>
Taxation withheld at source		(2,934)	(1,867)
Interest paid		<u>(158,226)</u>	<u>(116,110)</u>
Net cash used in operating activities		<u>(197,265)</u>	<u>(558,885)</u>
<b>Cash Flows from Investing Activities</b>			
Term deposits with maturity periods in excess of 90 days		(5,325)	(144,785)
Acquisition of investment securities		(94,709)	(16,658)
Investment in joint venture	19	(12)	(63,113)
Proceeds from sale of investment securities		143,705	65,898
Additions to property, plant and equipment	20	<u>(228)</u>	<u>(15,850)</u>
Net cash provided by/(used in) investing activities		<u>43,431</u>	<u>(174,508)</u>
<b>Cash Flows from Financing Activities</b>			
Shares issued		-	311,154
Dividends paid	26	(71,521)	(56,069)
Loans received		405,827	403,485
Loans repaid		<u>(36,377)</u>	<u>(122,875)</u>
Net cash provided by financing activities		<u>297,929</u>	<u>535,695</u>
Increase/(decrease) in net cash balances		144,095	(197,698)
Effects of foreign exchange rates changes on cash and cash equivalents		(1,595)	1,834
Cash and cash equivalents at beginning of year		<u>66,563</u>	<u>262,427</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	13	<u><u>209,063</u></u>	<u><u>66,563</u></u>

# Eppley Limited

## Company Statement of Comprehensive Income Year ended 31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Net Investment Income</b>			
Interest income		261,377	210,145
Interest expense		<u>(158,394)</u>	<u>(115,918)</u>
<b>Net Interest Income</b>		102,983	94,227
Other operating income	8	37,071	60,880
Administrative expenses	9	(86,999)	(78,664)
Share of net profit from joint venture accounted for using the equity method	19	<u>16,131</u>	<u>30,469</u>
<b>Profit Before Taxation</b>		69,186	106,912
Taxation	11	<u>1,082</u>	<u>(225)</u>
<b>Net Profit, Being Total Comprehensive Income For The Year</b>		<u><u>70,268</u></u>	<u><u>106,687</u></u>

# Eppley Limited

## Company Statement of Financial Position

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
Cash and deposits	13	315,300	297,279
Taxation recoverable		8,967	6,033
Other receivables	14	71,949	65,661
Insurance premium financing receivables	15	314,102	304,951
Loans receivable	16	847,343	906,979
Lease receivables	17	314,184	392,030
Due from related party	22	380,521	-
Investment securities	18	80,344	-
Investment in joint venture	19	109,725	93,582
Property, plant and equipment	20	10,485	16,406
<b>Total assets</b>		<b>2,452,920</b>	<b>2,082,921</b>
<b>Liabilities</b>			
Due to related parties	22	8,632	1,653
Taxation payable		-	1,082
Deferred taxation	21	146	146
Borrowings	23	1,692,727	1,333,119
Other liabilities	24	42,036	36,289
<b>Total liabilities</b>		<b>1,743,541</b>	<b>1,372,289</b>
<b>Shareholders' Equity</b>			
Share capital	25	492,343	492,343
Retained earnings		217,036	218,289
<b>Total shareholders' equity</b>		<b>709,379</b>	<b>710,632</b>
<b>Total Liabilities and Equity</b>		<b>2,452,920</b>	<b>2,082,921</b>

Approved for issue by the Board of Directors on 28 March 2018 and signed on its behalf by:



Nicholas A. Scott

Managing Director



Paul B. Scott

Director



# Eppley Limited

## Company Statement of Changes in Equity

Year ended 31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2016		181,189	167,671	348,860
Total comprehensive income for the year		-	106,687	106,687
<b>Transactions with owners -</b>				
Issue of shares		311,154	-	311,154
Dividends	26	-	(56,069)	(56,069)
<b>Balance at 31 December 2016</b>		<b>492,343</b>	<b>218,289</b>	<b>710,632</b>
Total comprehensive income for the year		-	70,268	70,268
<b>Transactions with owners -</b>				
Dividends	26	-	(71,521)	(71,521)
<b>Balance at 31 December 2017</b>		<b>492,343</b>	<b>217,036</b>	<b>709,379</b>

**Eppley Limited****Company Statement of Cash Flows****Year ended 31 December 2017****(Expressed in Jamaican dollars unless otherwise indicated)**

	Note	2017 \$'000	2016 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		70,268	106,687
Adjustments for:			
Depreciation	20	6,149	6,943
Amortisation of premium on investments		-	126
Interest income		(261,411)	(210,145)
Interest expense		158,394	115,918
Unrealised gains on investment securities		(1,497)	(2,284)
Exchange loss/(gains) on foreign currency denominated balances		(6,224)	(43,946)
Share of profits from joint venture		(16,131)	(30,469)
Taxation		(1,082)	225
		<u>(51,534)</u>	<u>(56,945)</u>
Changes in non-cash working capital components:			
Other receivables		(6,288)	(13,593)
Due from related party		(380,521)	-
Insurance premium financing receivables		(9,151)	(178,621)
Loans receivable		59,636	(305,882)
Lease receivables		77,846	(94,119)
Interest received		261,181	210,507
Due to related party		6,979	-
Other liabilities		5,747	(2,255)
		<u>(36,105)</u>	<u>(440,908)</u>
Taxation withheld at source		(2,934)	(1,867)
Interest paid		(158,226)	(116,110)
Net cash used in operating activities		<u>(197,265)</u>	<u>(558,885)</u>
<b>Cash Flows from Investing Activities</b>			
Term deposits with maturity periods in excess of 90 days		(5,325)	(144,785)
Acquisition of investment securities		(94,709)	(16,658)
Investment in joint venture	19	(12)	(63,113)
Proceeds from sale of investment securities		143,705	65,898
Additions to property, plant and equipment	20	(228)	(15,850)
Net cash provided by/(used in) investing activities		<u>43,431</u>	<u>(174,508)</u>
<b>Cash Flows from Financing Activities</b>			
Shares issued		-	311,154
Dividends paid	26	(71,521)	(56,069)
Loans received		405,827	403,485
Loans repaid		(36,377)	(122,875)
Net cash provided by financing activities		<u>297,929</u>	<u>535,695</u>
Increase/(decrease) in net cash balances		144,095	(197,698)
Effects of foreign exchange rates changes on cash and cash		(1,595)	1,834
Cash and cash equivalents at beginning of year		66,563	262,427
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>13</b>	<u><u>209,063</u></u>	<u><u>66,563</u></u>

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Activities

Eppley Limited (the company) is a limited liability company incorporated and domiciled in Jamaica. The company became listed on the Junior Market of the Jamaica Stock Exchange. The registered office of the company is located at 58 Half Way Tree Road, Kingston 10.

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

During the year the company formed two (2) wholly-owned subsidiaries Paynter (Jamaica) Limited and Eppley Fund Managers Limited which also offer credit products and management services. The company's subsidiaries together with the company are referred to as "the Group".

### 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 IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

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 Group'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 Group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following which is relevant to its operations.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

##### *Standards, interpretations and amendments to published standards effective in the current year (continued)*

- **Amendments to IAS 7, 'Statement of Cash Flows'**, (effective for annual periods beginning on or after 1 January 2017). In January 2017, 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 amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see Note 28.
- **Annual improvements 2014–2016** (effective for annual periods beginning on or after 1 January 2017). These amendments include changes from the 2014-16 cycle of the annual improvements project, that affects IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard.
- **Amendments to IAS 12, 'Income Taxes' on Recognition of deferred tax assets for unrealised losses**, (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.

The adoption of the above amendments effective 1 January 2017 did not have any significant impact on the Group's financial statements.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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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*

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 Group has not early adopted. The Group 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 Group:

- **IFRS 9, 'Financial instruments'**, (effective for annual periods beginning on or after 1 January 2018). In The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification is made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The Group has performed an initial review of its business model based on the different portfolios of financial assets and the characteristics of these financial assets in the various entities within the group. Consequently, debt instruments whose cashflows are solely payments of principal and interest "SPPI" will be designated either at amortised cost or at fair value through other comprehensive income depending on the business model objectives. This is not expected to have a significant impact on the group's equity.

There is no expected impact on the Group's accounting for financial liabilities, as the new requirements only impact financial liabilities that are designated at fair value through profit or loss, and the Group does not currently have any such liabilities.

The impact of the new impairment model has also been reviewed. This analysis requires the identification of the credit risk associated with the counterparties. The counterparties are mainly corporations and individuals within the Caribbean for loans and leases and insurance premium financing receivables from customers. The Group will be utilising the use of a provisions matrix for the insurance premium financing reflecting past experience of losses incurred due to default as well as forward looking information in arriving at our impairment. As it relates to the investments we will look at the macro economic factors of each counterpart and individuals as well as specific credit rating information for securities (where available) to aid with our impairment assessment.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

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

#### **IFRS 9 (continued)**

Changes in accounting policies resulting from adoption will be applied retrospectively as at 1 January 2018, but with no restatement of comparative information for prior years. Consequently, the Group will recognise any adjustments to the carrying amounts of financial assets between IAS 39 and IFRS 9 in the opening retained earnings or other components of equity. The Group is still assessing the impact of IFRS 9 on its financial statements not able to quantify the adjustment at this time.

- **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. The Group is currently reviewing the main types of commercial arrangements used with customers under the model and has tentatively concluded that the application of IFRS 15 will not have a material impact on the consolidated results or financial position based on the nature of services offered by the Group.
- **Amendments to IFRS 15, 'Revenue from contracts with customers'** (effective 1 January 2018) 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. The IASB has also included additional practical expedients related to transition to the new revenue standard. It is expected that the adoption of this standard will not have a significant impact on the group.
- **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 short-term leases and leases of low-value assets.
- **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.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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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)*

- **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.

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 Group and have not been early adopted.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Significant Accounting Policies (Continued)

#### (b) Consolidation

##### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The consolidated financial statements include the financial statements of the company and its subsidiaries as follows:

	Principal Activities	% Ownership by Company	% Ownership by Group
		at 31 December 2017	at 31 December 2017
<b>Resident in Jamaica:</b>			
<b>Subsidiary</b>			
Paynter (Jamaica) Limited	Investing in credit products including insurance premium, loan and lease financing	100	100
<b>Joint Venture</b>			
Caribbean Mezzanine Fund I Limited	Asset and investment management	50	50
Retirement Road Holdings Limited	Property rental	50	50
<b>Resident outside of Jamaica:</b>			
<b>Subsidiary</b>			
Eppley Fund Managers Limited	Asset and investment management	100	100



# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (b) Consolidation (continued)

##### (ii) *Changes in year*

During the year the following subsidiaries were formed, Paynter (Jamaica) Limited and Eppley Fund Managers Limited.

#### (c) 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.

#### (d) 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 Group 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.

##### **Dividend**

Dividend income is recognised when the right to receive payment is established.

##### **Other income**

Other income is recognised on an accrual basis.

#### (e) Foreign currency translation

##### (i) *Functional and presentation currency*

Items included in the financial statements of the Group 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 Group'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.

#### (f) Financial instruments

Financial instruments carried on the statement of financial position include insurance premium financing receivables, loans receivable, investment securities, other receivables, due from related party, 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 Group's financial instruments is discussed in Note 6.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

**(g) 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.

**(h) 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.

**(i) Cash and deposits**

Cash and deposits are stated at cost. For the purposes of the cash flow statement, cash and deposits 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.

**(j) Investment securities**

Investment securities are classified as 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 date, which is the date that the Group 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.

*Impairment of financial assets*

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The Group assesses at each year end whether there is objective evidence that a financial asset 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.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (k) Investment in joint venture

Investment 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 Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group'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 Group'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 Group 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 Group and its joint venture entity are eliminated to the extent of the Group'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 Group.

#### (l) 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.

#### (m) 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.

#### (n) Other receivables

Other 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 Group 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.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

**(o) 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.

**(p) Other liabilities**

Other liabilities are recognised at fair value and subsequently measured at amortised cost.

**(q) Put option premium**

The Group 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.

**(r) 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.

**(s) Employee benefits**

**(i) Pension obligations**

The Group 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.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (s) Employee benefits (continued)

##### (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.

#### (t) Interest in subsidiaries

Interests in subsidiaries are stated at cost.

#### (u) Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to profit or loss over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

#### (v) Dividends paid

Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's stockholders.

The dividends on preference shares are recognised in statement of comprehensive income as interest expense.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note 29.

# Eppley Limited

## Notes to the Financial Statements

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### 3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group 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 Group's accounting policies**

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

**(b) Critical accounting estimates and assumptions**

The Group 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 Group 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 Group 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 Group 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 (RRHL) and the Caribbean Mezzanine Fund I Limited (Mezzanine Fund) require unanimous consent from all parties for all relevant activities. With respect to RRHL, the partners have rights to the net assets of the arrangement while for the Mezzanine Fund, the partners have rights to the net assets of the arrangements for all relevant activities in accordance with shareholder agreements. These entities are therefore classified as a joint venture and the Group recognises its share of the results for the year.

**(iv) Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Group applies a variety of methods in an effort to arrive at the estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

# Eppley Limited

## Notes to the Financial Statements

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### 4. Financial Risk Management

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

The Group'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 Group 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 Group'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 Group's policies.

(ii) Finance Department

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

(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 Group's risk management policies and procedures. In addition, the Audit Committee regularly reviews the Group's financial reporting and makes recommendations to the Board of Directors.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is the most important risk for the Group'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, other receivables, due from related party, investment securities and cash and deposits. The Group 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

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### *Credit review process*

##### (i) Cash and deposits

The Group 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 Group'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 Group, 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) Due from related party, leases and loans receivable

The Group'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 Group'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 Group 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.

##### (iv) Investment securities

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations

#### *Maximum exposure to credit risk*

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

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash and deposits	315,300	297,279	315,300	297,279
Other receivables	599	-	599	-
Investment securities	80,344	-	80,344	-
Due from related party	-	-	380,521	-
Insurance premium financing receivables	324,076	304,951	314,102	304,951
Loans receivable	1,142,384	906,979	847,343	906,979
Lease receivables	382,318	392,030	314,184	392,030
	<u>2,245,021</u>	<u>1,901,239</u>	<u>2,252,393</u>	<u>1,901,239</u>

The above table represents a worst case scenario of credit risk exposure to the Group at 31 December 2017 and 2016.



# Eppley Limited

## Notes to the Financial Statements

31 December 2017

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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 2017, IPF receivables of \$4,229,000 (2016 – \$3,917,000) 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:

	<b>The Group and The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	3,917	3,709
Additional provision	330	316
Amounts recovered	(18)	(108)
At 31 December	<u>4,229</u>	<u>3,917</u>

##### *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 2017 and 2016, there are no loans receivable that are less than 90 days past due and considered impaired.

As of 31 December 2017, loans receivable of \$4,643,000 (2016 – \$6,091,000) 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:

	<b>The Group and The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	6,091	7,269
Additional provision	1,449	693
Amounts recovered	(2,897)	(1,871)
At 31 December	<u>4,643</u>	<u>6,091</u>

The creation and release of provision for impaired receivables have been included in administrative 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

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

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### 4. Financial Risk Management (Continued)

#### (b) Liquidity risk

Liquidity risk is the risk that the Group 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 Group's liquidity management process, as carried out within the Group 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 Group. 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 Group and its exposure to changes in interest rates and exchange rates.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 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 Group's financial assets and liabilities based on contractual repayment obligations at contractual maturity dates:

	<b>The Group</b>				
	<b>Within 1</b>	<b>1 to 3</b>	<b>3 to 12</b>	<b>1 to 5</b>	<b>Total</b>
	<b>Month</b>	<b>Months</b>	<b>Months</b>	<b>Years</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 31 December 2017:</b>					
<b>Financial Assets</b>					
Cash and deposits	209,257	-	111,487	-	320,744
Other receivables	599	-	-	-	599
Investment securities	-	-	-	80,344	80,344
Insurance premium financing	27,841	16,285	221,285	80,461	345,872
Lease receivables	18,331	36,167	154,772	272,332	481,602
Loans receivable	574,558	57,318	248,861	370,877	1,251,614
<b>Total financial assets</b>	<b>830,586</b>	<b>109,770</b>	<b>736,405</b>	<b>804,014</b>	<b>2,480,775</b>
<b>Financial Liabilities</b>					
Due to related parties	1,653	-	-	-	1,653
Borrowings	11,341	24,845	843,147	1,103,632	1,982,965
Other liabilities	11,533	10,551	4,759	16,089	42,932
<b>Total financial liabilities</b>	<b>24,527</b>	<b>35,396</b>	<b>847,906</b>	<b>1,119,721</b>	<b>2,027,550</b>
<b>Net Liquidity Gap</b>	<b>806,059</b>	<b>74,374</b>	<b>(111,501)</b>	<b>(315,707)</b>	<b>453,225</b>
<b>Cumulative gap</b>	<b>806,059</b>	<b>880,433</b>	<b>768,932</b>	<b>453,225</b>	

Of the \$843,147,000 disclosed in the 2017 borrowings time band 'between 3 and 12 months', the Group made early repayments of \$566,992,000 in the first month of the 2018 financial year (2016 – nil). See subsequent note 29.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (b) Liquidity risk (continued)

##### *Financial assets and liabilities cash flows (continued)*

	<b>The Company</b>				<b>Total \$'000</b>
	<b>Within 1 Month \$'000</b>	<b>1 to 3 Months \$'000</b>	<b>3 to 12 Months \$'000</b>	<b>1 to 5 Years \$'000</b>	
<b>As at 31 December 2017:</b>					
<b>Financial Assets</b>					
Cash and deposits	209,257	-	111,487	-	320,744
Other receivables	599	-	-	-	599
Investment securities	-	-	-	80,344	80,344
Due from related party	9,280	5,802	27,045	515,594	557,721
Insurance premium financing	27,841	16,285	221,285	70,055	335,466
Lease receivables	14,919	29,341	124,058	240,031	408,349
Loans receivable	485,569	45,764	122,250	660,619	1,314,202
<b>Total financial assets</b>	<b>747,465</b>	<b>97,192</b>	<b>606,125</b>	<b>1,566,643</b>	<b>3,017,425</b>
<b>Financial Liabilities</b>					
Due to related parties	8,632	-	-	-	8,632
Borrowings	11,341	24,845	843,147	1,103,632	1,982,965
Other liabilities	10,637	10,551	4,759	16,089	42,036
<b>Total financial liabilities</b>	<b>30,610</b>	<b>35,396</b>	<b>847,906</b>	<b>1,119,721</b>	<b>2,033,633</b>
<b>Net Liquidity Gap</b>	<b>716,855</b>	<b>61,796</b>	<b>(241,781)</b>	<b>446,922</b>	<b>983,792</b>
<b>Cumulative gap</b>	<b>716,855</b>	<b>778,651</b>	<b>536,870</b>	<b>983,792</b>	

Of the \$843,147,000 disclosed in the 2017 borrowings time band 'between 3 and 12 months', the Company made early repayments of \$566,992,000 in the first month of the 2018 financial year (2016 – nil). See subsequent note 29.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (b) Liquidity risk (continued)

##### *Financial assets and liabilities cash flows (continued)*

	<b>The Group and The Company</b>				
	<b>Within 1</b>	<b>1 to 3</b>	<b>3 to 12</b>	<b>1 to 5</b>	<b>Total</b>
	<b>Month</b>	<b>Months</b>	<b>Months</b>	<b>Years</b>	<b></b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 31 December 2016:</b>					
<b>Financial Assets</b>					
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
<b>Total financial assets</b>	<b>703,963</b>	<b>85,064</b>	<b>888,278</b>	<b>382,218</b>	<b>2,059,523</b>
<b>Financial Liabilities</b>					
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
<b>Total financial liabilities</b>	<b>22,147</b>	<b>52,506</b>	<b>149,890</b>	<b>1,664,398</b>	<b>1,888,941</b>
<b>Net Liquidity Gap</b>	<b>681,816</b>	<b>32,558</b>	<b>738,388</b>	<b>(1,282,180)</b>	<b>170,582</b>
<b>Cumulative gap</b>	<b>681,816</b>	<b>714,374</b>	<b>1,452,762</b>	<b>170,582</b>	<b>-</b>

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 Group 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 Group manages and measures this risk.

#### (i) 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 due from related party, insurance premium, loan and lease financing net of borrowings.

At 31 December 2017, the Group's statement of financial position includes aggregate net foreign assets of US\$4,112,000 (2016 - US\$5,530,000).

At 31 December 2017, the Company's statement of financial position includes aggregate net foreign assets of US\$4,056,000 (2016 - US\$5,530,000).

The Group 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 Group 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.

<b>The Group</b>				
	<b>% Change in Currency Rate</b>	<b>Effect on Profit before Taxation</b>	<b>% Change in Currency Rate</b>	<b>Effect on Profit before Taxation</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
USD - Revaluation	2%	(10,064)	1%	(7,044)
USD - Devaluation	4%	20,129	6%	42,263

<b>The Company</b>				
	<b>% Change in Currency Rate</b>	<b>Effect on Profit before Taxation</b>	<b>% Change in Currency Rate</b>	<b>Effect on Profit before Taxation</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
USD - Revaluation	2%	(9,929)	1%	(7,044)
USD - Devaluation	4%	19,857	6%	42,263

# Eppley Limited

## Notes to the Financial Statements

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### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) 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 Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

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

	The Group					Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Non- Interest Bearing \$'000	
<b>At 31 December 2017:</b>						
<b>Financial Assets</b>						
Cash and deposits	148,360	-	105,325	-	61,615	315,300
Other receivables	-	-	-	-	599	599
Investment securities	-	-	-	-	80,344	80,344
Insurance premium financing	26,419	15,453	205,753	76,451	-	324,076
Lease receivables	14,652	28,923	124,019	214,724	-	382,318
Loans receivable	543,714	49,848	225,843	322,979	-	1,142,384
<b>Total financial assets</b>	<b>733,145</b>	<b>94,224</b>	<b>660,940</b>	<b>614,154</b>	<b>142,558</b>	<b>2,245,021</b>
<b>Financial Liabilities</b>						
Due to related parties	-	-	-	-	1,653	1,653
Borrowings	282	-	380,871	-	1,311,574	1,692,727
Other liabilities	-	-	-	-	42,932	42,932
<b>Total financial liabilities</b>	<b>282</b>	<b>-</b>	<b>380,871</b>	<b>-</b>	<b>1,356,159</b>	<b>1,737,312</b>
<b>Total interest repricing gap</b>	<b>732,863</b>	<b>94,224</b>	<b>280,069</b>	<b>614,154</b>	<b>(1,213,601)</b>	<b>507,709</b>
<b>Cumulative gap</b>	<b>732,863</b>	<b>827,087</b>	<b>1,107,156</b>	<b>1,721,310</b>	<b>507,709</b>	

# Eppley Limited

Notes to the Financial Statements

31 December 2017

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## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

	The Company					Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Non- Interest Bearing \$'000	
<b>At 31 December 2017:</b>						
<b>Financial Assets</b>						
Cash and deposits	148,360	-	105,325	-	61,615	315,300
Other receivables	-	-	-	-	599	599
Investment securities	-	-	-	-	80,344	80,344
Due from related party	-	-	-	375,175	5,346	380,521
Insurance premium financing	26,419	15,453	205,753	66,477	-	314,102
Lease receivables	11,478	22,575	95,451	184,680	-	314,184
Loans receivable	459,951	39,555	105,916	241,921	-	847,343
<b>Total financial assets</b>	<b>646,208</b>	<b>77,583</b>	<b>512,445</b>	<b>868,253</b>	<b>147,904</b>	<b>2,252,393</b>
<b>Financial Liabilities</b>						
Due to related parties	-	-	-	-	8,632	8,632
Borrowings	281	-	380,872	-	1,311,574	1,692,727
Other liabilities	-	-	-	-	42,036	42,036
<b>Total financial liabilities</b>	<b>281</b>	<b>-</b>	<b>380,872</b>	<b>-</b>	<b>1,362,242</b>	<b>1,743,395</b>
<b>Total interest repricing gap</b>	<b>645,927</b>	<b>77,583</b>	<b>131,573</b>	<b>868,253</b>	<b>(1,214,338)</b>	<b>508,998</b>
<b>Cumulative gap</b>	<b>645,927</b>	<b>723,510</b>	<b>855,083</b>	<b>1,723,336</b>	<b>508,998</b>	



# Eppley Limited

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## 4. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

	The Group and The Company					
	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
<b>At 31 December 2016:</b>						
<b>Assets</b>						
Cash and deposits	17,646	-	230,716	-	48,917	297,279
Insurance premium financing receivables	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
<b>Total financial assets</b>	<b>635,646</b>	<b>420,485</b>	<b>688,810</b>	<b>107,381</b>	<b>48,917</b>	<b>1,901,239</b>
<b>Liabilities</b>						
Due to related parties	-	-	-	-	1,653	1,653
Borrowings	-	-	-	1,332,619	500	1,333,119
Other liabilities	-	-	-	-	36,289	36,289
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,332,619</b>	<b>38,442</b>	<b>1,371,061</b>
<b>Total interest repricing gap</b>	<b>635,646</b>	<b>420,485</b>	<b>688,810</b>	<b>(1,225,238)</b>	<b>10,475</b>	<b>530,178</b>
<b>Cumulative gap</b>	<b>635,646</b>	<b>1,056,131</b>	<b>1,744,941</b>	<b>519,703</b>	<b>530,178</b>	<b>-</b>

#### **Interest rate sensitivity**

The Group 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 Group 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.

# Eppley Limited

## Notes to the Financial Statements

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### 5. Capital Management

Capital management is assessed by the senior management of the Group. 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 Group'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 Group's approach to capital management during the year. The Group 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 were no financial assets and financial liabilities measured at fair value at the December 2016.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy.

Level 1 – Quoted prices in active markets for identical assets or liabilities. There was no level 1 instruments at 31 December 2017.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. There was no level 2 instruments at 31 December 2017.

Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes non-participating preference shares with significant unobservable components. The fair value of these instruments were determined by the net assets of the underlying investments.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2017				
Financial assets	-	-	80,344	80,344

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

## Notes to the Financial Statements

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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 Group'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.

2017	Insurance Premium Finance	Loans	Leases	Total
	\$'000	\$'000	\$'000	\$'000
Interest income as per segment	51,109	138,147	58,548	247,804
Unallocated income				50,495
Share of net profit from joint venture				16,131
Unallocated expense				(246,289)
<b>Profit before Taxation</b>				<b>68,141</b>
Taxation				1,082
<b>Net Profit</b>				<b>69,223</b>

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)
<b>Profit before Taxation</b>				<b>106,912</b>
Taxation				(225)
<b>Net Profit</b>				<b>106,687</b>

Other profit and loss disclosures:

	2017 \$'000	2016 \$'000
Depreciation	6,149	6,943

# Eppley Limited

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### 7. Segment Information (Continued)

Allocation of assets:	<b>Total Assets 2017 \$'000</b>	<b>Total Assets 2016 \$'000</b>
Insurance premium finance	324,076	304,951
Loans	1,142,384	906,979
Leases	<u>382,318</u>	<u>392,030</u>
Total segment assets	1,848,778	1,603,960
<b>Unallocated :-</b>		
Cash and deposits	315,300	297,279
Taxation recoverable	8,967	6,033
Other receivables	72,194	65,661
Investment securities	80,344	-
Investment in joint venture	109,725	93,582
Property, plant and equipment	<u>10,485</u>	<u>16,406</u>
<b>Total Assets per Statement of Financial Position</b>	<u><u>2,445,793</u></u>	<u><u>2,082,921</u></u>
Total capital expenditure was as follows:		
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Property, plant and equipment	<u>228</u>	<u>15,850</u>

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 8. Other Operating Income

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fee income	9,424	7,484	9,424	7,484
Foreign exchange (loss)/gains	(15,761)	43,946	(15,761)	43,946
Asset management income	7,379	-	7,379	-
Investment management income	16,975	-	16,975	-
Management fees	850	-	850	-
Investment income	5,101	-	5,101	-
Other	12,924	9,450	13,103	9,450
	<u>36,892</u>	<u>60,880</u>	<u>37,071</u>	<u>60,880</u>

### 9. Expenses by Nature

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Auditors' remuneration -	1,995	2,035	1,995	2,035
Depreciation and amortisation	6,148	6,943	6,149	6,943
Marketing and advertising	38	286	38	286
Bad debts recovered	(1,135)	(970)	(1,135)	(970)
Professional fees	8,248	7,394	7,351	7,394
Rent and maintenance	1,487	1,456	1,487	1,456
Repairs and maintenance	1,421	834	1,421	834
Staff costs (Note 10)	55,211	48,054	55,211	48,054
Stationery	2,394	1,899	2,394	1,899
Utilities	2,389	1,770	2,389	1,770
Other	9,699	8,963	9,699	8,963
Total	<u>87,895</u>	<u>78,664</u>	<u>86,999</u>	<u>78,664</u>

### 10. Staff Costs

	The Group and The Company	
	2017 \$'000	2016 \$'000
Wages and salaries	45,267	40,128
Payroll taxes – employer's contribution	4,620	3,831
Pension costs	1,385	1,007
Other	3,939	3,088
	<u>55,211</u>	<u>48,054</u>

# Eppley Limited

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31 December 2017

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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.

Effective 6th February 2017, approval was granted for the company to operate as an Approved Venture Capital Company, as per Section 36 of the Income Tax Act, for a period not exceeding ten (10) years.

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

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current income tax charge	-	-	-	-
Reversal of prior year accrual	(1,082)	-	(1,082)	-
Deferred tax (Note 21)	-	225	-	225
	<u>(1,082)</u>	<u>225</u>	<u>(1,082)</u>	<u>225</u>

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

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Profit before taxation	<u>68,141</u>	<u>106,912</u>	<u>69,186</u>	<u>106,912</u>
Tax calculated at 25% (2016 - 25%)	17,035	26,728	17,297	26,728
Adjusted for the effects of:				
Income not subject to tax	(71,727)	(55,566)	(71,764)	(55,566)
Expenses not deductible for tax	54,697	47,154	54,518	47,154
Joint venture's results reported net of tax	(4,033)	(7,617)	(4,033)	(7,617)
Net effect of other charges and allowances	4,028	(10,474)	3,982	(10,474)
Reversal of prior year over accrual	<u>(1,082)</u>	<u>-</u>	<u>(1,082)</u>	<u>-</u>
	<u>(1,082)</u>	<u>225</u>	<u>(1,082)</u>	<u>225</u>

# Eppley Limited

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### 12. Earnings per share

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

	2017	2016
Net profit attributable to shareholders (\$'000)	69,223	106,687
Weighted average number of shares outstanding ('000)	192,468	162,856
Earnings per share (\$)	<u>0.36</u>	<u>0.66</u>

Included in borrowings are 2018, 2019 and 2021 cumulative redeemable preference shares. These cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities (see note 23 (c)).

### 13. Cash and Cash Equivalents

	<u>The Group and The Company</u>	
	2017	2016
	\$'000	\$'000
Cash and bank balances	92,882	66,563
Term deposits	<u>222,418</u>	<u>230,716</u>
	315,300	297,279
Less: Term deposits with maturity period in excess of 90 days	(105,325)	(230,000)
Less: Interest receivable	<u>(912)</u>	<u>(716)</u>
	<u>209,063</u>	<u>66,563</u>

Included in cash and bank balances are foreign currency current accounts which earn interest at 0.01% (2016 - 0.10-0.15%) per annum and Jamaican dollar current accounts which earn interest at 0.35% (2016 - 0.05 – 0.35%) per annum.

Term deposits with maturity period in excess of 90 days have an average maturity period of 348 days (2016 – 349 days). At the end of 2017, deposits with maturity periods less than 90 days had an average maturity period of 33 days.

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

	<u>The Group and The Company</u>	
	2017	2016
	%	%
J\$ - short term deposits	4.10%	-
J\$ - long term deposits	5.85%	7.10%
US\$ - short term deposits	<u>4.15%</u>	<u>-</u>

# Eppley Limited

## Notes to the Financial Statements

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### 14. Other Receivables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Prepaid expenses	112	137	112	137
GCT recoverable	67,175	56,749	67,175	56,749
Other	4,906	8,775	4,662	8,775
	<u>72,193</u>	<u>65,661</u>	<u>71,949</u>	<u>65,661</u>

### 15. Insurance Premium Financing Receivables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
IPF loans receivable from affiliates	155,546	130,090	155,546	130,090
IPF loans receivable from external customers	190,325	192,982	179,919	192,982
Unearned interest	(17,566)	(14,204)	(17,134)	(14,204)
	<u>328,305</u>	<u>308,868</u>	<u>318,331</u>	<u>308,868</u>
Less: Provision for doubtful debts	(4,229)	(3,917)	(4,229)	(3,917)
	<u>324,076</u>	<u>304,951</u>	<u>314,102</u>	<u>304,951</u>

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

### 16. Loans Receivable

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Loans receivable from affiliates	160,301	100,444	160,301	100,444
Loans receivable from external customers	986,726	812,626	691,685	812,626
	<u>1,147,027</u>	<u>913,070</u>	<u>851,986</u>	<u>913,070</u>
Less: Provision for doubtful debts	(4,643)	(6,091)	(4,643)	(6,091)
	<u>1,142,384</u>	<u>906,979</u>	<u>847,343</u>	<u>906,979</u>

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



# Eppley Limited

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## 17. Lease Receivables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Gross investment in finance leases –				
Not later than one year	209,270	211,918	168,318	211,918
Later than one year and not later than five years	<u>272,331</u>	<u>262,170</u>	<u>240,031</u>	<u>262,170</u>
	481,601	474,088	408,349	474,088
Less: Unearned income	<u>(99,283)</u>	<u>(82,058)</u>	<u>(94,165)</u>	<u>(82,058)</u>
	<u>382,318</u>	<u>392,030</u>	<u>314,184</u>	<u>392,030</u>
Net investment in finance leases may be classified as follows:				
Not later than one year	167,595	175,238	129,504	175,238
Later than one year and not later than five years	<u>214,723</u>	<u>216,792</u>	<u>184,680</u>	<u>216,792</u>
	<u>382,318</u>	<u>392,030</u>	<u>314,184</u>	<u>392,030</u>

## 18. Investment Securities

	The Group and The Company	
	2017 \$'000	2016 \$'000
Fair value through profit or loss		
Non-participating preference shares	<u>80,344</u>	<u>-</u>

# Eppley Limited

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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. The principal activities of the RRHL is to engage primarily in the administration of investment properties being utilised for rental yields and capital appreciation.

In 2017, the Group entered into a joint venture agreement with effect from 2 December 2016; where it owns a fifty percent (50%) share in Caribbean Mezzanine Fund I Limited, a company incorporated in Jamaica. Caribbean Mezzanine Fund I Limited is an approved venture capital company that manages funds on behalf of the unitholders. The company's investment is accounted for using the equity method.

	<b>The Group and The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening net assets at 1 January	93,582	-
Capital invested	12	63,113
Profit for the period	16,131	30,469
Carrying amount	<u>109,725</u>	<u>93,582</u>

### Commitments and contingent liabilities in respect of joint ventures

There is a commitment to provide support to a subsidiary of Retirement Road Holdings Limited, One Retirement Road Limited, in the form of a corporate guarantee on the default of loans if called in the amount of:

	<b>The Group and The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Corporate guarantee	<u>142,500</u>	<u>147,500</u>

# Eppley Limited

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### 19. Investment in Joint Venture (Continued)

#### Summarised Statement of Financial Position

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

	<b>The Group and The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets		
Cash and cash equivalents	3,712	17,405
Other current assets	786	197
<b>Total current assets</b>	<b>4,498</b>	<b>17,602</b>
Non-current assets	499,647	460,000
<b>Total assets</b>	<b>504,145</b>	<b>477,602</b>
Current liabilities		
Financial liabilities (excluding trade payables)	10,266	8,805
Other current liabilities	11,185	8,100
<b>Total current liabilities</b>	<b>21,451</b>	<b>16,905</b>
Non-current financial liabilities	263,268	266,244
<b>Total liabilities</b>	<b>284,719</b>	<b>290,439</b>
<b>Net assets</b>	<b>219,426</b>	<b>187,163</b>

# Eppley Limited

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## 19. Investment in Joint Venture (Continued)

### Summarised Statement of Comprehensive Income

	<b>The Group and The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	50,179	17,601
Interest income	-	99
Interest expense	<u>(28,696)</u>	<u>(9,940)</u>
Profit before tax	32,263	60,938
Taxation	-	-
<b>Total comprehensive income</b>	<u><b>32,263</b></u>	<u><b>60,938</b></u>

### Reconciliation to carrying amounts

	<b>The Group and The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening net assets at 1 January	187,163	-
Capital invested	-	126,225
Profit for the period	<u>32,263</u>	<u>60,938</u>
Closing net assets	<u><b>219,426</b></u>	<u><b>187,163</b></u>
Company's share (%)	50	50
Carrying amount	<u><b>109,713</b></u>	<u><b>93,582</b></u>

There are no contingent liabilities relating to the company's interest in RRHL. There were no balances related to depreciation, other comprehensive income, and dividend paid for the period ended 31 December 2017 and 2016.

# Eppley Limited

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## 20. Property, Plant and Equipment

	The Group and The Company			
	Motor Vehicles \$'000	Furniture, Fixtures & Equipment \$'000	Computer software \$'000	Total \$'000
Cost -				
At 1 January 2016	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
Additions	-	228	-	228
At 31 December 2017	18,718	4,744	6,573	30,035
Depreciation -				
At 1 January 2016	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
Charge for the year	3,847	658	1,644	6,149
At 31 December 2017	12,637	3,590	3,323	19,550
Net Book Value -				
31 December 2017	6,081	1,154	3,250	10,485
31 December 2016	9,928	1,584	4,894	16,406

## 21. Deferred Income Taxes

Deferred income taxes are calculated on temporary differences under the liability methods using an effective tax rate of 12.5% (2016 – 12.5%).

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

	The Group and The Company	
	2017 \$'000	2016 \$'000
Balance as at 1 January	146	79
Statement of comprehensive income (Note 11)	-	(225)
Balance as at 31 December	146	146

Deferred income tax liabilities are attributable to the following item:

	The Group and The Company	
	2017 \$'000	2016 \$'000
Property, plant and equipment	146	146

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### 21. Deferred Income Taxes (Continued)

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

	<b>The Group and The Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment	<u>-</u>	<u>(225)</u>

### 22. Related Party Transactions and Balances

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest income -				
Key management	5,456	2,536	5,456	2,536
Subsidiary	903	-	903	-
Affiliate	<u>101,472</u>	<u>17,271</u>	<u>101,472</u>	<u>17,271</u>
	<u>107,831</u>	<u>19,807</u>	<u>107,831</u>	<u>19,807</u>
Interest expense -				
Affiliate	<u>-</u>	<u>402</u>	<u>-</u>	<u>402</u>
Key management compensation -				
Directors' fees	<u>260</u>	<u>220</u>	<u>260</u>	<u>220</u>
Salaries and other short term benefits	<u>33,224</u>	<u>26,714</u>	<u>33,224</u>	<u>26,714</u>
Post- employment benefits	<u>1,779</u>	<u>705</u>	<u>1,779</u>	<u>705</u>
Management fees -				
Joint venture	(850)	(283)	(850)	(283)
Affiliate	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Rental and maintenance expense -				
Affiliate	<u>1,487</u>	<u>1,456</u>	<u>1,487</u>	<u>1,456</u>

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

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### 22. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Due to related parties -				
Subsidiaries	-	-	6,979	-
Affiliate	1,653	1,653	1,653	1,653
	<u>1,653</u>	<u>1,653</u>	<u>8,632</u>	<u>1,653</u>
Loan due to related parties (Note 23) -				
Balance at the beginning of year	500	34,346	500	34,346
Loans received	-	40,000	-	40,000
Interest charged	-	402	-	402
Repayments	-	(74,652)	-	(74,652)
Foreign exchange translation	-	404	-	404
Balance at end of year	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Insurance premium financing receivables -				
Affiliates (Note 15)	<u>114,242</u>	<u>130,090</u>	<u>114,242</u>	<u>130,090</u>
	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Loan receivables:-				
(i) Subsidiaries	-	-	380,521	-
(ii) Affiliates				
Balance at the beginning of year	100,444	-	100,444	-
Loans issued	61,749	100,000	60,856	100,000
Interest earned	15,076	8,451	15,974	8,451
Repayments	(13,524)	(8,007)	(13,524)	(8,007)
Foreign exchange translation	(3,444)	-	(3,449)	-
Balance at end of year	<u>160,301</u>	<u>100,444</u>	<u>540,822</u>	<u>100,444</u>
(iii) Key management	<u>25,886</u>	<u>50,952</u>	<u>25,886</u>	<u>50,952</u>

Loans receivable from key management attract interest at an average rate of 9.5% and 12% (2016 – 9.5% and 12%) and are repayable within 12 months.

See note 19 - Investment in joint venture, for details of guarantees given.

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 23. Borrowings

	The Group and The Company	
	2017 \$'000	2016 \$'000
<b>Composition of borrowings</b>		
(a) Loans from affiliates (Note 22 (b))	500	500
(b) Short term loan from external lender	381,040	-
(c) Long term loans from external lenders	<u>1,311,187</u>	<u>1,332,619</u>
	1,692,727	1,333,119
<b>Less: Current portion</b>		
Loans from affiliates	(500)	(500)
Loan from external lender	(381,040)	-
Long term loans from external lenders	(358,808)	(36,407)
Unwinding of unamortised fees within 12 months	<u>8,712</u>	<u>15,793</u>
<b>Non-current borrowings</b>	<u>961,091</u>	<u>1,312,005</u>

- (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.
- (b) The short term loan from external lender represents a note received during 2017 that matures in June 2018 at interest rate of 4% per annum. Interest is due quarterly and principal is due at the end of the loan period.
- (c) Long term loans from external lenders

	The Group and The Company	
	2017 \$'000	2016 \$'000
Redeemable preference shares (i)	1,323,160	1,323,530
Less: Unamortised fees	<u>(12,255)</u>	<u>(27,608)</u>
	1,310,905	1,295,922
DB&K Limited (ii)	<u>282</u>	<u>36,697</u>
	<u>1,311,187</u>	<u>1,332,619</u>

- (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%, 10.00%-11.50% and 8.25% respectively.

- (ii) This represents an unsecured loan of approximately US\$72,000 (approximately J\$8 million) received in 2016. The loan attract interest at 8% and is repayable in 36 months.



# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 24. Other Liabilities

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Accruals	9,688	9,746	8,792	9,746
Due to clients	5,921	9,531	5,921	9,531
Other	27,323	17,012	27,323	17,012
	<u>42,932</u>	<u>36,289</u>	<u>42,036</u>	<u>36,289</u>

### 25. Share Capital

	2017 \$'000	2016 \$'000
Authorised -		
195,000,000 (2016 – 120,000,000) ordinary shares of no par		
Issued and fully paid -		
192,468,300 (2016 – 192,468,300) stock units	<u>492,343</u>	<u>492,343</u>

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. There was no such activity for the period ended 31 December 2017.

### 26. Dividends

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

	The Group and The Company	
	2017 \$'000	2016 \$'000
First interim dividend, gross - \$0.26 (2016 – \$0.29) per ordinary stock units	50,041	34,557
Second interim dividend, gross - \$0.0372 (2016 – \$0.06) per ordinary stock units	7,160	7,166
Third interim dividend, gross - \$0.0372 (2016 – \$0.04) per ordinary stock units	7,160	7,173
Fourth interim dividend, gross - \$0.0372 (2016 – \$0.04) per ordinary stock units	<u>7,160</u>	<u>7,173</u>
	<u>71,521</u>	<u>56,069</u>

# Eppley Limited

## Notes to the Financial Statements

31 December 2017

(Expressed in Jamaican dollars unless otherwise indicated)

### 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 \$1,385,000 (2016 – \$1,007,000) and are included in staff costs (Note 10).

### 28. Reconciliation of Liabilities arising from Financial Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Financing activities represent borrowings:

	<b>The Group and The Company</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>At January 1</b>	1,333,119	1,048,604
Loans received	387,417	403,485
Repayment- principal	(36,377)	(122,875)
Repayment- interest	(139,553)	(116,110)
Amortisation of finance charge	18,410	-
Foreign exchange adjustments	(9,977)	4,100
Other non-cash movements*	139,688	115,915
<b>At 31 December</b>	<b>1,692,727</b>	<b>1,333,119</b>

\*The other non-cash movements represent interest expense for the year.

### 29. Subsequent Events

The Group opted for early redemption of the 2019 Preference Shares, which were redeemed on January 31, 2018, at a price of \$6.06 per share inclusive of redemption penalty.

The Group declared an ordinary dividend of 16.42 cents per stock unit to stockholders on record as at 27 February 2018, which was paid on 12 March 2018.

The Group is currently in negotiation to purchase the unlisted common shares of Fortress Caribbean Property Fund Limited SCC.

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 September 10, 2018.

This form is to be used IN FAVOUR of resolutions numbered \_\_\_\_\_.

This form is to be used AGAINST resolutions numbered \_\_\_\_\_.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

\_\_\_\_\_

Signatures(s) of Shareholder(s)

**EPPLEY**

58 HALF WAY TREE ROAD  
KINGSTON, JAMAICA