

EPPLEY LIMITED

SECOND QUARTER 2022



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

August 12, 2022

Fellow Shareholders,

Eppley produced earnings per share of \$0.57 in the first half of 2022, an 18% return for shareholders.¹

Proprietary Investment Portfolio

At the end of the first six months of 2022, we owned a \$5.3 billion investment portfolio consisting of cash, loans, leases, receivables and investments in our mezzanine, real estate, infrastructure and asset management joint ventures and subsidiaries. The average income yield of our portfolio was 14% and 15% excluding our cash balances.

Asset Management Business

In addition to our investments, we manage or administer over US\$100 million of capital in the Eppley Caribbean Property Fund, Caribbean Mezzanine Fund and other vehicles.

Capitalization and Liquidity

Our leverage was 4.2x our capital at the end of the second quarter and our average cost of debt was 6%. We ended the second quarter with \$416 million of cash.

Financial Performance

Our profit after tax for the first half of 2022 was \$109.9 million which was in line with our earnings relative to the same period last year.

¹ Based on a cost basis of \$3.21 per share which assumes an investor subscribed in the IPO and fully participated in our rights issue.

The decline in other income for the first half was primarily on account of a foreign exchange loss we experienced during the most recent quarter.

Our proprietary investment portfolio continued to recover during the period, mainly due to the improved performance of our leasing business.

Net interest income continues to be complemented by the recurring, predictable fees we earn managing or administering assets in our real estate, mezzanine and infrastructure strategies.

Dividend

Today the Board of Directors approved a dividend of 5.2 cents per share payable on September 15, 2022, to ordinary shareholders on record as of August 31, 2022.

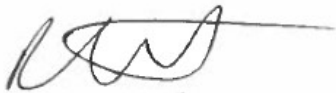
Subject to the discretion of the Board of Directors, we expect to maintain our dividend policy in future periods.

Outlook

To support our growth objectives, we will continue to invest in our people and operational infrastructure.

With tightening credit conditions, we continue to carefully evaluate opportunities to deploy capital at favourable risk adjusted returns across our credit, mezzanine, infrastructure and real estate strategies.

Sincerely,



P.B. Scott
Chairman



Nicholas A. Scott
Vice Chairman

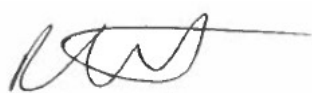
Eppley Limited
Consolidated Statement of Comprehensive Income
(Jamaican dollars in thousands)

	Unaudited 6 months ended Jun. 2022	Unaudited 6 months ended Jun. 2021	Unaudited 3 months ended Jun. 2022	Unaudited 3 months ended Jun. 2021	Audited 12 months ended Dec. 2021
Net Investment Income					
Interest Income	225,362	177,538	110,685	106,153	386,562
Interest expense	(143,653)	(122,088)	(73,915)	(68,039)	(285,619)
Net interest income	82,480	55,450	36,770	38,114	100,943
Asset management income	123,742	123,829	56,313	50,828	219,107
Fees and other operating income/(loss)	20,680	30,988	(16,730)	20,171	139,996
Administrative expenses	(113,545)	(99,471)	(56,816)	(49,957)	(211,686)
Net impairment on financial assets	(65)	387	100	102	(1,471)
Share of net profit from joint venture	-	-	-	-	21,576
Profit before Taxation	112,521	111,183	19,637	59,258	268,465
Taxation	(2,558)	(2,236)	(1,292)	(1,195)	(16,834)
Net profit for the period	109,963	108,947	18,345	58,063	251,631
Other comprehensive income:					
<i>Items that will not be reclassified</i>					
Exchange differences on translation of foreign operations	(6,944)	11,134	(4,456)	7,747	14,226
Changes in fair value of equity investments at fair value through other comprehensive income	58	(3,355)	(594)	-	236
Other comprehensive (loss)/income for the period, net of taxes	(6,886)	7,779	(5,050)	7,747	14,462
Total comprehensive income for the period, net of taxes	103,077	116,726	13,295	65,810	266,093
EARNINGS PER STOCK UNIT (3)	\$0.57	\$0.57	\$0.10	\$0.30	\$1.31

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

	Unaudited Jun. 2022	Unaudited Jun. 2021	Audited Dec. 2021
ASSETS			
Cash and deposits	415,784	533,799	661,397
Taxation recoverable	18,096	15,442	17,132
Other receivables	552,003	515,870	424,025
Insurance premium financing receivables	63,090	65,621	105,216
Loans receivable	1,353,237	1,277,404	1,417,606
Lease receivables	1,764,351	1,597,341	1,703,998
Investment securities	1,017,277	1,039,105	1,089,769
Investment in joint ventures	79,916	58,339	79,917
Deferred tax assets	8,741	15,251	8,741
Right-of-use-asset	-	3,853	1,354
Property, plant and equipment	7,923	13,679	9,897
Total assets	<u>5,280,418</u>	<u>5,135,704</u>	<u>5,519,052</u>
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	3,799	3,855	3,930
Deferred tax liabilities	4,188	-	4,188
Borrowings	4,010,681	3,914,187	4,129,536
Lease liability	-	3,948	1,374
Other liabilities	280,256	258,245	289,507
Total liabilities	<u>4,300,577</u>	<u>4,181,888</u>	<u>4,430,188</u>
Share capital	492,343	492,343	492,343
Other reserves	9,174	13,026	16,118
Fair value reserves	60,405	56,756	60,347
Retained earnings	417,919	391,691	520,056
Total stockholders' equity	<u>979,841</u>	<u>953,816</u>	<u>1,088,864</u>
Total Liabilities and Equity	<u>5,280,418</u>	<u>5,135,704</u>	<u>5,519,052</u>

Approved by the Board of Directors on August 12, 2022, and signed on its behalf by:



Paul. B. Scott
Chairman



Nicholas A. Scott
Vice Chairman

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

	Share Capital	Fair value Reserves	Other Reserves	Retained Earnings	Total
Balance as at 31 December 2020	492,343	60,111	1,892	449,653	1,003,999
Net Profit for the period	-	-	-	108,947	108,947
Other comprehensive income for the period	-	(3,355)	11,134	-	7,779
Total comprehensive income for the period	-	(3,355)	11,134	108,947	116,726
Dividends	-	-	-	(166,909)	(166,909)
Balance as at 30 June 2021	492,343	56,756	13,026	391,691	953,816
Balance as at 31 December 2021	492,343	60,347	16,118	520,056	1,088,864
Net Profit for the period	-	-	-	109,963	109,963
Other comprehensive income for the period	-	58	(6,944)	-	(6,886)
Total comprehensive income for the period	-	58	(6,944)	109,963	103,077
Dividends	-	-	-	(212,100)	(212,100)
Balance as at 30 June 2022	492,343	60,405	9,174	417,919	979,841

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

	Unaudited 6 months ended Jun. 2022	Unaudited 6 months ended Jun. 2021	Audited 12 months ended Dec. 2021
Cash Flows from Operating Activities			
Net profit	109,963	108,947	251,631
Adjustments for:			
Depreciation	2,170	4,422	8,446
Amortisation of right-of-use-asset	1,384	2,476	5,191
Interest income	(225,362)	(177,538)	(386,562)
Dividend income	(31,787)	(22,736)	(34,228)
Interest expense	143,653	122,088	285,619
Unrealised gains on investment securities	2,044	11,847	6,441
Net impairment on financial assets	65	(387)	1,471
Exchange gains on foreign currency denominated balances	(39,525)	(5,500)	(76,325)
Share of profits from joint venture	-	-	(21,576)
Taxation	1,266	2,236	16,834
	<u>(36,129)</u>	<u>45,855</u>	<u>56,942</u>
Changes in non-cash working capital components:			
Other receivables	(150,133)	(326,713)	(269,968)
Insurance premium financing receivables	42,103	73,061	33,473
Loans receivable	94,248	191,274	103,044
Lease receivables	(60,391)	(1,009,746)	(1,116,171)
Interest received	227,231	180,094	387,384
Dividend received	31,787	21,597	34,228
Other liabilities	(6,801)	40,285	67,468
	<u>141,915</u>	<u>(784,293)</u>	<u>(703,600)</u>
Tax withheld at source	(964)	(999)	(2,689)
Tax paid	(2,614)	(3,729)	(7,597)
Interest paid	(140,356)	(109,262)	(248,049)
Net cash (used in) operating activities	<u>(2,019)</u>	<u>(898,283)</u>	<u>(961,935)</u>

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

	Unaudited 6 months ended Jun. 2022	Unaudited 6 months ended Jun. 2021	Audited 12 months ended Dec. 2021
Cash Flows from Investing Activities			
Acquisition of investment securities	-	(45,924)	(97,006)
Proceeds from sale of investment securities	50,686	-	-
Additions to property, plant and equipment	(196)	(668)	(910)
Net cash provided by/(used in) investing activities	50,490	(46,592)	(97,916)
Cash Flows from Financing Activities			
Dividends paid	(212,100)	(166,909)	(181,228)
Lease liability repaid	(1,384)	(2,476)	(5,191)
Loans received	-	961,399	2,626,138
Loans repaid	(91,011)	(26,409)	(1,518,373)
Net cash (used in)/provided by financing activities	(304,495)	765,605	921,346
(Decrease) in net cash balance	(256,024)	(179,270)	(138,505)
Effects of foreign exchange rates changes on cash and cash equivalents	10,633	30,550	63,612
Cash and cash equivalents at beginning of year	605,471	680,364	680,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD	360,080	531,644	605,471

Ten Largest Shareholders

(at June 30, 2022)

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nom Ltd.	38,428,635
Caribprop Limited	27,500,000
Perseverance Limited	23,353,134
Coldharbour Partners Inc.	10,774,674
Curmudgeon Limited	8,284,000
Michael Subratie	8,243,606
Caona Investments Limited	6,076,923
Ravers Limited	5,348,700
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	1,166,279

Shareholdings of Directors

(at June 30, 2022)

	Direct	Connected *
Alexander Melville	-	-
Byron Thompson	483,750	-
Jennifer Scott	-	23,786,884
Keith Collister	-	38,428,635
Maxim Rochester	956,850	-
Melanie Subratie	-	62,855,079
Nicholas Scott	-	19,495,424
P.B. Scott	-	99,387,684
Sharon Donaldson	786,450	1,223,200
Justin Nam	851,420	-

Shareholdings of Executives

(at June 30, 2022)

	Direct	Connected *
Jacquelin Watson	1,024,650	-
Adam Hugh	825,000	-

* Includes connections by virtue of directorships and other affiliations in addition to indirect shareholdings.

1. Identification and Activities

Eppley Limited is a limited liability company incorporated and domiciled in Jamaica. The company is listed on the Main 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 financing, lease and loan financing and providing asset management services.

2. Statement of Compliance and Basis of Preparation

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

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

The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2021. These financial statements are expressed in Jamaican dollars which is the currency of the primary economic environment in which the company operates.

3. Earnings Per Stock Unit

	Unaudited 6 months Jun. 2022	Unaudited 6 months Jun. 2021	Audited 12 months Dec. 2021
Net profit attributable to stockholders (\$'000)	109,963	108,947	251,631
Weighted average number of stock units outstanding ('000)	<u>192,468</u>	<u>192,468</u>	<u>192,468</u>
Earnings per stock unit (\$)	0.57	0.57	1.31

4. **Cash and Cash Equivalents**

	Unaudited 6 months Jun. 2022	Unaudited 6 months Jun. 2021	Audited 12 months Dec. 2021
Cash and bank balances	312,033	196,531	305,263
Term deposits	103,751	337,268	356,134
	<u>415,784</u>	<u>533,799</u>	<u>661,397</u>
	(54,880)	-	(54,880)
Less: restricted cash			
Less: interest receivable	(824)	(2,155)	(1,046)
	<u>360,080</u>	<u>531,644</u>	<u>605,471</u>