

EPPLEY LIMITED

THIRD QUARTER 2022

EPPLEY

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

L I M I T E D

November 11, 2022

Fellow Shareholders,

Eppley produced earnings per share of \$0.97 in the first nine months of 2022, generating a 30% return for shareholders.¹

Proprietary Investment Portfolio

At the end of September 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 16% excluding our cash balances.

Asset Management Business

Through the Eppley Caribbean Property Fund, Caribbean Mezzanine Fund and other vehicles, we also manage or administer the equivalent of over US\$100 million of capital in addition to our proprietary portfolio.

Capitalization and Liquidity

Our leverage was 3.9x our capital at the end of the third quarter and our average cost of debt was 6%. We closed the quarter with \$904 million of cash.

Financial Performance

Our profit after tax for the first nine months of 2022 was \$187 million when compared against \$191 million generated for the comparable period of last year.

Eppley's performance over the last three quarters did not reflect any benefits from foreign exchange gains as was the case in the prior 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.

Our investment in the Cross Roads property increased by \$3 million based on a recent independent valuation. Last year, our share of profit in this joint venture increased in value by \$22 million.

Eppley's core net interest income remains strong, growing by 36% over the \$82 million generated for the period ended September 2021. This growth was driven by the leasing portfolio which will continue to be the major source of activity in the proprietary portfolio.

Our quality of earnings remains healthy and is supported by a consistent, recurring revenue stream derived from managing or administering assets across our real estate, mezzanine and infrastructure strategies.

Dividend

Today the Board of Directors approved a dividend of 5.2 cents per share payable on December 15, 2022, to ordinary shareholders on record as of November 30, 2022.

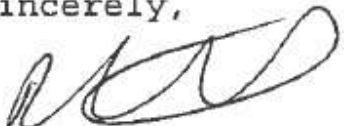
Subject to the discretion of the Board of Directors, we expect to maintain our dividend policy in future periods.

Outlook

The outlook for the next few quarters remains positive and the team will remain focused on scaling the business and leveraging its origination capabilities to deploy cash on attractive terms.

We remain well positioned to handle tightening credit conditions and will continue to focus on expanding our asset management business.

Sincerely,



P.B. Scott
Chairman



Nicholas A. Scott
Vice Chairman

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

	Unaudited 9 months ended Sep. 30, 2022	Unaudited 9 months ended Sep. 30, 2021	Unaudited 3 months ended Sep. 30, 2022	Unaudited 3 months ended Sep. 30, 2021	Audited 12 months ended Dec. 31, 2021
Net Investment Income					
Interest Income	331,720	288,601	106,358	111,063	386,562
Interest expense	(219,784)	(206,333)	(76,131)	(84,245)	(285,619)
Net interest income	111,936	82,268	30,227	26,818	100,943
Asset management income	187,737	178,949	63,995	55,120	219,107
Fees and other operating income	56,014	59,259	35,334	28,271	139,996
Administrative expenses	(168,528)	(148,642)	(54,983)	(49,171)	(211,686)
Net impairment on financial assets	74	393	139	6	(1,471)
Share of net profit from joint venture	3,002	21,729	3,002	21,729	21,576
Profit before Taxation	190,235	193,956	77,714	82,773	268,465
Taxation	(3,520)	(3,072)	(962)	(836)	(16,834)
Net profit for the period	186,715	190,884	76,752	81,937	251,631
Other comprehensive income:					
<i>Items that will not be reclassified</i>					
Exchange differences on translation of foreign operations	(2,810)	6,863	4,134	(4,271)	14,226
Changes in fair value of equity investments at fair value through other comprehensive income	4,850	(3,355)	4,792	-	236
Other comprehensive income/(loss) for the period, net of taxes	2,040	3,508	8,926	(4,271)	14,462
Total comprehensive income for the period, net of taxes	188,755	194,392	85,678	77,666	266,093
EARNINGS PER STOCK UNIT (3)	\$0.97	\$0.99	\$0.40	\$0.42	\$1.31

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

	Unaudited Sep. 30, 2022	Unaudited Sep. 30, 2021	Audited Dec. 31, 2021
ASSETS			
Cash and deposits	904,374	853,164	661,397
Taxation recoverable	18,331	16,022	17,132
Other receivables	444,501	445,777	424,025
Insurance premium financing receivables	32,476	51,091	105,216
Loans receivable	1,270,300	1,289,363	1,417,606
Lease receivables	1,703,629	1,601,159	1,703,998
Investment securities	1,033,398	1,039,381	1,089,769
Investment in joint ventures	82,919	80,068	79,917
Deferred tax assets	8,741	15,251	8,741
Right-of-use-asset	-	2,578	1,354
Property, plant and equipment	20,027	11,752	9,897
Total assets	<u>5,518,696</u>	<u>5,405,606</u>	<u>5,519,052</u>
LIABILITIES			
Due to related parties	1,653	1,653	1,653
Taxation payable	2,457	2,505	3,930
Deferred tax liabilities	4,188	-	4,188
Borrowings	4,164,787	4,094,041	4,129,536
Lease liability	-	2,609	1,374
Other liabilities	290,101	280,475	289,507
Total liabilities	<u>4,463,186</u>	<u>4,381,283</u>	<u>4,430,188</u>
Share capital	492,343	492,343	492,343
Other reserves	13,308	8,755	16,118
Fair value reserves	65,197	56,756	60,347
Retained earnings	484,662	466,469	520,056
Total stockholders' equity	<u>1,055,510</u>	<u>1,024,323</u>	<u>1,088,864</u>
Total Liabilities and Equity	<u>5,518,696</u>	<u>5,405,606</u>	<u>5,519,052</u>

Approved by the Board of Directors on November 11, 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	-	-	-	190,884	190,884
Other comprehensive (loss)/income for the period	-	(3,355)	6,863	-	3,508
Total comprehensive (loss)/income for the period	-	(3,355)	6,863	190,884	194,392
Dividends	-	-	-	(174,068)	(174,068)
Balance as at 30 September 2021	492,343	56,756	8,755	466,469	1,024,323
Balance as at 31 December 2021	492,343	60,347	16,118	520,056	1,088,864
Net Profit for the period	-	-	-	186,715	186,715
Other comprehensive income/(loss) for the period	-	4,850	(2,810)	-	2,040
Total comprehensive income for the period	-	4,850	(2,810)	186,715	188,755
Dividends	-	-	-	(222,109)	(222,109)
Balance as at 30 September 2022	492,343	65,197	13,308	484,662	1,055,510

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

	Unaudited 9 months ended Sep. 30, 2022	Unaudited 9 months ended Sep. 30, 2021	Audited 12 months ended Dec. 31, 2021
Cash Flows from Operating Activities			
Net profit	186,715	190,884	251,631
<i>Adjustments for:</i>			
Depreciation	4,733	6,415	8,446
Amortisation of right-of-use-asset	1,384	3,830	5,191
Interest income	(331,720)	(288,601)	(386,562)
Dividend income	(40,894)	(25,480)	(34,228)
Interest expense	219,784	206,333	285,619
Unrealised gains on investment securities	(1,380)	11,209	6,441
Net impairment on financial assets	(74)	(393)	1,471
Exchange gains on foreign currency denominated balances	832	(35,127)	(76,325)
Share of profits from joint venture	(3,002)	(21,729)	(21,576)
Taxation	4,184	3,072	16,834
	40,562	50,413	56,942
Changes in non-cash working capital components:			
Other receivables	8,824	(295,594)	(269,968)
Insurance premium financing receivables	72,849	87,533	33,473
Loans receivable	130,720	187,685	103,044
Lease receivables	536	(1,013,452)	(1,116,171)
Interest received	333,589	289,836	387,384
Dividend received	38,044	25,480	34,228
Other liabilities	(1,681)	64,782	67,468
	623,443	(603,317)	(703,600)
Tax withheld at source	(1,199)	(1,579)	(2,689)
Tax paid	(7,164)	(5,880)	(7,597)
Interest paid	(223,658)	(179,318)	(248,049)
Net cash provided by/(used in) operating activities	391,422	(790,094)	(961,935)

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

	Unaudited 9 months ended Sep. 30, 2022	Unaudited 9 months ended Sep. 30, 2021	Audited 12 months ended Dec. 31, 2021
Cash Flows from Investing Activities			
Acquisition of investment securities	-	(45,227)	(97,006)
Proceeds from sale of investment securities	51,930	-	-
Additions to property, plant and equipment	(14,863)	(734)	(910)
Net cash provided by/(used in) investing activities	37,067	(45,961)	(97,916)
Cash Flows from Financing Activities			
Dividends paid	(222,109)	(174,068)	(181,228)
Lease liability repaid	(1,384)	(3,830)	(5,191)
Loans received	190,088	2,394,741	2,626,138
Loans repaid	(137,831)	(1,247,491)	(1,518,373)
Net cash (used in)/provided by financing activities	(171,236)	969,352	921,346
Increase/(Decrease) in net cash balance	257,253	133,297	(138,505)
Effects of foreign exchange rates changes on cash and cash equivalents	(17,924)	38,044	63,612
Cash and cash equivalents at beginning of year	605,471	680,364	680,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD	844,800	851,705	605,471

Ten Largest Shareholders

(at September 30, 2022)

Stony Hill Capital Limited	48,097,800
ATL Group Pension Fund Trustees Nom Ltd.	38,421,665
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	1,169,856

Shareholdings of Directors

(at September 30, 2022)

	Direct	Connected *
Alexander Melville	-	-
Byron Thompson	483,750	-
Jennifer Scott	-	23,786,884
Keith Collister	-	38,421,665
Maxim Rochester	956,850	-
Melanie Subratie	-	62,855,079
Nicholas Scott	-	19,495,424
P.B. Scott	-	99,387,684
Sharon Donaldson	786,450	436,750
Justin Nam	851,420	-

Shareholdings of Executives

(at September 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 9 months Sep. 30, 2022	Unaudited 9 months Sep. 30, 2021	Audited 12 months Dec. 31, 2021
Net profit attributable to stockholders (\$'000)	186,715	190,884	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 (\$)	0.97	0.99	1.31

4. **Cash and Cash Equivalents**

	Unaudited 9 months Sep. 30, 2022	Unaudited 9 months ended Sep. 30, 2021	Audited 12 months Dec. 31, 2021
Cash and bank balances	607,330	419,556	305,263
Term deposits	297,044	433,608	356,134
	<u>904,374</u>	<u>853,164</u>	<u>661,397</u>
Less: restricted cash	(58,603)	-	(54,880)
Less: interest receivable	(971)	(1,459)	(1,046)
	<u>844,800</u>	<u>851,705</u>	<u>605,471</u>