

EPPLEY LIMITED

FOURTH QUARTER 2022

EPPLEY

L I M I T E D

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

February 14, 2023

Fellow Shareholders,

Eppley produced earnings per share of \$1.23 in 2022, a 38% return for shareholders.¹ At the end of the year, our net asset value was \$5.69 per share.

Proprietary Investment Portfolio

Our investment portfolio totalled \$5.4 billion at the end of the year. The portfolio comprises 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 large cash balances.

Asset Management Business

We are pleased to advise that with the formation of Capital Infrastructure Group, we now manage or administer over US\$120 million of capital in the Eppley Caribbean Property Fund, Caribbean Mezzanine Fund and other vehicles.

Capitalization and Liquidity

Our leverage was 4.8x our capital at the end of the year and our average cost of debt was 6.6%.² We ended the year with over \$1 billion of cash.

Financial Performance

Our profit after tax for 2022 was \$237 million relative to the \$252 million generated last year representing a 6% decline.

The performance for the year reflects a foreign exchange loss as the Jamaican dollar appreciated during the course of the 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.

² Based on Eppley Limited's unconsolidated borrowings and shareholders' equity.

We recorded a \$3 million share of profit derived from our Cross Roads property joint venture this year as against \$22 million last year.

We continue to invest significantly in our team to support our growth trajectory.

The continued focus on growing our Asset Management business has resulted in a 22% increase in fees from managing or administering assets in our real estate, mezzanine and infrastructure strategies. These fees provide a consistent, recurring cash flow.

Our proprietary portfolio complements our asset management earnings. The core net interest income grew by 37% to \$138 million largely driven by activity in the lease portfolio.

Dividend

The Board of Directors is scheduled to meet on February 28, 2023 to consider the payment of a final dividend in respect of the 2022 financial year.

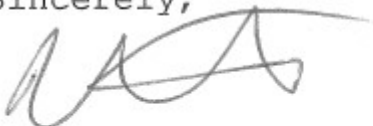
We expect that our dividend policy of distributing the vast majority of profits to our shareholders will remain.

Outlook

We continue to build on our track record of expanding our ability to serve our investors and clients across a growing range of asset classes across different cycles.

Our strong balance sheet continues to set us apart, positioning us to align with investors in the vehicles we manage, create new investment strategies and pursue strategic transactions in our proprietary portfolio.

Sincerely,



P.B. Scott
Chairman



Nicholas A. Scott
Vice Chairman

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

	Unaudited 12 months ended Dec. 31, 2022	Audited 12 months ended Dec. 31, 2021	Unaudited 3 months ended Dec. 31, 2022	Unaudited 3 months ended Dec. 31, 2021
Net Investment Income				
Interest Income	438,363	386,562	106,643	97,961
Interest expense	(300,392)	(285,619)	(80,608)	(79,187)
Net interest income	137,971	100,943	26,035	18,774
Asset management income	267,875	219,107	80,138	41,369
Other operating income	106,951	139,996	50,937	79,527
Administrative expenses	(243,193)	(211,686)	(74,665)	(63,094)
Net impairment of financial and contract assets	(2,705)	(1,471)	(2,779)	(1,814)
Share of net profit/(loss) from joint venture accounted for using the equity method	2,943	21,576	(59)	(153)
Profit before Taxation	269,842	268,465	79,607	74,609
Taxation	(32,480)	(16,834)	(28,960)	(893)
Net profit for the year	237,362	251,631	50,647	73,716
Other comprehensive income:				
<i>Items that will not be reclassified</i>				
Exchange differences on translation of foreign operations	(3,245)	14,226	(435)	7,363
Changes in fair value of equity investments at fair value through other comprehensive income	4,980	236	130	3,591
Other comprehensive income for the year, net of taxes	1,735	14,462	(305)	10,954
Total comprehensive income for the year, net of taxes	239,097	266,093	50,342	84,670
EARNINGS PER SHARE (3)	\$1.23	\$1.31	\$0.26	\$0.38

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

	Unaudited Dec. 31, 2022	Audited Dec. 31, 2021
ASSETS		
Cash and deposits	1,031,286	661,397
Taxation recoverable	19,136	17,132
Other receivables	479,174	424,025
Insurance premium financing receivables	16,389	105,216
Loans receivable	1,207,911	1,417,606
Lease receivables	1,698,775	1,703,998
Investment securities	1,041,057	1,089,769
Investment in joint ventures	82,860	79,917
Deferred tax asset	420	8,741
Right-of-use-asset	7,273	1,354
Property, plant and equipment	25,925	9,897
	5,610,206	5,519,052
LIABILITIES		
Due to related parties	1,653	1,653
Taxation payable	11,851	3,930
Deferred tax liability	15,419	4,188
Borrowings	4,111,658	4,129,536
Lease liability	7,374	1,374
Other liabilities	366,407	289,507
	4,514,362	4,430,188
SHAREHOLDERS' EQUITY		
Share capital	492,343	492,343
Other reserves	12,873	16,118
Fair value reserves	65,327	60,347
Retained earnings	525,301	520,056
	1,095,844	1,088,864
	5,610,206	5,519,052

Approved by the Board of Directors on February 14, 2023 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 1 January 2021	492,343	60,111	1,892	449,653	1,003,999
Net Profit for the year	-	-	-	251,631	251,631
Other comprehensive income for the year	-	236	14,226	-	14,462
Total comprehensive income for the year	-	236	14,226	251,631	266,093
Dividends	-	-	-	(181,228)	(181,228)
Balance as at 31 December 2021	492,343	60,347	16,118	520,056	1,088,864
Balance as at 1 January 2022	492,343	60,347	16,118	520,056	1,088,864
Net Profit for the year	-	-	-	237,362	237,362
Other comprehensive income for the year	-	4,980	(3,245)	-	1,735
Total comprehensive income for the year	-	4,980	(3,245)	237,362	239,097
Dividends	-	-	-	(232,117)	(232,117)
Balance as at 31 December 2022	492,343	65,327	12,873	525,301	1,095,844

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

	Unaudited 12 months ended Dec. 31, 2022	Audited 12 months ended Dec. 31, 2021
Cash Flows from Operating Activities		
Net profit	237,362	251,631
<i>Adjustments for:</i>		
Depreciation	11,098	8,446
Amortisation of right-of-use-asset	1,384	5,191
Interest income	(438,363)	(386,562)
Dividend income	(53,058)	(34,228)
Interest expense	300,392	285,619
Unrealised (gains)/loss on investment securities	(15,719)	6,441
Net impairment on financial assets	2,705	1,471
Gain on disposal of property, plant and equipment	(4,783)	-
Exchange loss/(gains) on foreign currency denominated balances	9,133	(76,325)
Share of profits from joint venture	(2,943)	(21,576)
Taxation	32,479	16,834
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	79,687	56,942
Changes in non-cash working capital components:		
Other receivables	(12,681)	(269,968)
Insurance premium financing receivables	89,025	33,473
Loans receivable	184,391	103,044
Lease receivables	5,106	(1,116,171)
Interest received	440,621	387,384
Dividend received	34,111	34,228
Other liabilities	75,459	67,468
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	895,719	(703,600)
Tax withheld at source	(2,004)	(2,689)
Tax paid	(4,955)	(7,597)
Interest paid	(295,086)	(248,049)
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Net cash provided by/(used in) operating activities	593,674	(961,935)
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Eppley Limited
Consolidated Statement of Cash Flows (Cont'd)
(Jamaican dollars in thousands)

	Unaudited 12 months ended Dec. 31, 2022	Audited 12 months ended Dec. 31, 2021
Cash Flows from Investing Activities		
Acquisition of investment securities	-	(97,006)
Proceeds from sale of investment securities	52,313	-
Additions to property, plant and equipment	(27,126)	(910)
Proceeds from sale of property, plant and equipment	4,783	-
Net cash provided by/(used in) investing activities	29,970	(97,916)
Cash Flows from Financing Activities		
Dividends paid	(232,117)	(181,228)
Lease liability repaid	(1,384)	(5,191)
Loans received	193,852	2,626,138
Loans repaid	(196,147)	(1,518,373)
Net cash (used in)/provided by financing activities	(235,796)	921,346
Increase/(Decrease) in net cash balance	387,848	(138,505)
Effects of foreign exchange rates changes on cash and cash equivalents	(20,718)	63,612
Cash and cash equivalents at beginning of year	605,471	680,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD	972,601	605,471

Ten Largest Shareholders

(at December 31, 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	1,170,830

Shareholdings of Directors

(at December 31, 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	868,074	436,750
Justin Nam	851,420	-

Shareholdings of Executives

(at December 31, 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

	Audited 12 months Dec. 31, 2022	Audited 12 months Dec. 31, 2021
Net profit attributable to stockholders (\$'000)	237,362	251,631
Weighted average number of stock units outstanding ('000)	<u>192,468</u>	<u>192,468</u>
Earnings per stock unit (\$)	1.23	1.31

4. **Cash and Cash Equivalents**

	Audited 12 months Dec. 31, 2022	Audited 12 months Dec. 31, 2021
Cash and bank balances	516,113	305,263
Term deposits	515,173	356,134
	<u>1,031,286</u>	<u>661,397</u>
Less: restricted cash	(58,644)	(54,880)
Less: interest receivable	(41)	(1,046)
	<u>972,601</u>	<u>605,471</u>