

**THE INVESTMENT
MAGAZINE**

by: PROVEN Investments Limited

DECEMBER 2015 EDITION

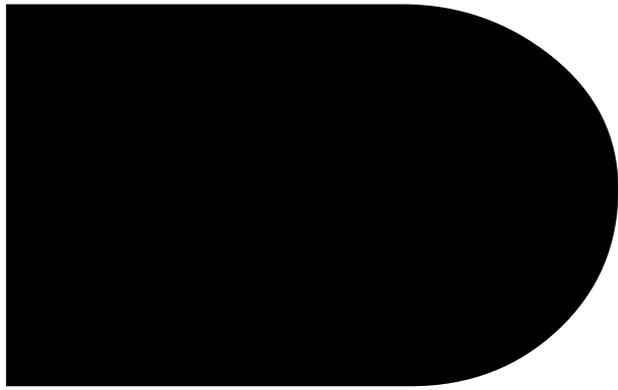


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UN-AUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

PROVEN INVESTMENT LIMITED REPORTS UNAUDITED FINANCIAL RESULTS

The Board of Directors of PROVEN Investments Limited ("PIL") is pleased to report its unaudited financial statements for the nine months ended December 31, 2015.

FINANCIAL HIGHLIGHTS

US\$2.1 million	—	• Net Profit attributable to shareholders
US\$14.1 million	—	• Net Revenue
US\$0.0040	—	• Earnings Per Share
5.67%	—	• Annualized Return on Equity
US\$370 million	—	• Consolidated Total Assets

MARKET OVERVIEW

The Global financial markets continued to experience high levels of volatility throughout the final quarter of 2015, influenced by (1) the continued slowdown and rebalancing of economic activity in China away from investment and manufacturing, toward consumption and services, (2) significant weakness in the energy markets and the general decline in commodity prices worldwide, and (3) the gradual tightening in monetary policy in the United States, as several other major advanced central banks continued to ease monetary policy. Global economic activity remained subdued and grew by a mere 3.1% in 2015, as growth in emerging market and developing economies declined for the fifth consecutive year, while modest recovery continued in advanced economies.

It was a very challenging quarter for the stock and bond markets worldwide, as commodity prices, led by oil, continued to fall, having an adverse impact on commodity producing economies. Bond prices fell and treasuries rallied as investors sought to invest in the "safe-haven" of US treasury bonds.

The United States

- On December 16 the Fed increased the target range for the federal funds rate to 0.25-0.5 per cent, the first rate rise in nearly a decade. There was no significant change in market conditions, as the market had already priced in this rate increase.
- The US Stock markets had a tumultuous year with indices falling by as much as 10%, but recovering towards the end of 2015.
- Oil prices declined markedly over the last quarter of the year, reflecting expectations of sustained increases in production by the Organization of the Petroleum Exporting Countries (OPEC) members amid continued global oil production in excess of oil consumption.

UN-AUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

Europe

- The European Central Bank (ECB) initially embarked on an asset-purchase program worth about 1.1 trillion euros (US\$1.2 trillion) and in December extended the planned length of the program, as inflation remained far below target.
- At the end of 2015, both the FTSE and DAX indices had fallen from record highs reached in April, caused partly by concerns over the slowdown in China.
- Nevertheless, the economic stimulus measures implemented by the ECB have overall elevated euro zone stock markets, with the main German and French markets both up around 10% for 2015.

Regional

- As net importers of oil, the Caribbean region has benefited from the downward trend in prices. All except the energy based economy of Trinidad and Tobago that now faces significant risks should low oil prices persist.
- The region has also generally benefited from GDP growth in its northern neighbours as Tourism based economies have experienced significant growth, particularly Jamaica, Barbados and the Dominican Republic.
- High debt still plagues the region, however these economies are taking the relevant fiscal measures necessary to stem and eventually reduce the debt levels and interest costs. Jamaica and the Dominican Republic in particular have been successful in their respective IMF programmes thus far, while other economies like the Bahamas and Barbados continue to strive toward economic reform.

FINANCIAL PERFORMANCE

PROVEN Investments Limited generated Net Revenue for nine months ended December 2015 of US\$14.1 million, a 77% improvement when compared to the US\$9.3 million for the same period last year. The increase is mainly attributed to the acquisition of 49.72% of Access Financial Services Limited ("AFS") during the past financial year and also the growth in our portfolio of fixed income securities.

Net Profit amounted US\$2.1 million over the nine months ended December 2015, a reduction of 54% when compared with the US\$4.6 million generated for the same period in the previous year. The previous year's results however included net extraordinary gains of US\$1.36 million from the purchase of subsidiary and if excluded from the results would have resulted in a decline in net profits of 35%.

This decline in profits for the period and loss for the quarter ended December 2015 is mainly due to the decision to rebalance some of our positions in the portfolio, reducing our exposure to the high yield bond market and specifically the energy and mining sectors. Additionally during the quarter, the portfolio was negatively affected by a bond restructuring exercise, which saw our holdings in certain unsecured bonds being exchanged for new secured bonds, but at a reduced principal value.

UN-AUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

REVENUES

1. Carry Trade

Spread income, which was the most significant contributor to revenue growth, increased by 163% to US\$10.6 million for the nine months to December 2015, up from US\$4.04 million for the same period in 2014. This increase can be attributed to the AFS acquisition and also the growth in our portfolio of fixed income securities.

2. Portfolio Positioning

As a result of the rebalancing of the portfolio and bond restructuring mentioned above, Securities trading performance was negatively impacted during the December quarter, resulting in a securities trading loss of US\$1.7 million for the nine months ended December 2015, compared to trading gains of US\$2.7 million in the prior year.

On the contrary, over the nine month period ended December 2015, we experienced significant growth in income from fees and commissions, as well as foreign exchange translation gains, growing 78% and 253% respectively. Dividend income also grew exponentially to US\$0.98 million up 121% from US\$0.44 million for the same period last year

3. Private Equity

Private equity investments that fit our risk and reward objectives continue to be a strong area of focus as we explore vast opportunities throughout the region. Our current private equity holdings continue to boost our bottom-line.

PROVEN Wealth Limited

PROVEN Wealth Limited ("PWL") achieved net profits for the nine month period at US\$1.4 million compared to US\$0.2 million for the corresponding period last year, following the amalgamation of most of the assets and liabilities of PWL Transition Limited into PWL. PWL continues to execute on its strategy of building sound portfolios for its clients, with total Assets under Administration increasing to US\$764 million as at the end of December 2015

UN-AUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

3. Private Equity - Continued

PWL Transition Limited

Total assets for PWL Transition Limited ("PWLTL") stood at US\$3.51 million as at December 2015. The now smaller entity continues to provide Pension Fund management and administrative services to Pension Funds and Portfolio Management services and contributed profits of US\$0.59 million to the group for the nine month period.

Access Financial Services Limited

Access Financial Services ("AFS") is one of the largest micro financing companies in Jamaica and continues to provide excellent service to its customers. The company performed well over the nine month period and is one of the strongest contributors to the group's consolidated profitability. Total assets increased to US\$20.9 million as at the end of December 2015 and the total loans receivable stood at US\$18.4 million. AFS earned a net profit of US\$2.85 million for the nine month period.

PROVEN REIT Limited

PIL is the majority shareholder in PROVEN REIT Limited. The company has been making strides, selling 90% of the units in the development on Kingsway Avenue in Kingston, Jamaica. PROVEN REIT's total assets stood at US\$2.6 million as at December 31, 2015, with three major projects in the pipeline to be finalized before the end of the financial year.

Knutsford Express Services Limited

PIL sold its 20% interest in Knutsford Express Services Limited within the third quarter of 2015, realizing an almost 100% return on this investment.

Asset Management Company Limited

The loan portfolio of Asset Management Company Limited was sold to Access Financial Services Limited in February 2015. The company is now inactive.

4. Operating Expenses

For the nine months ending December 31, 2015, Consolidated Operating Expenses increased by 66% to US\$10.2 million from US\$6.1 million in the prior year period, as a result of increases in administrative and general expenses, due to the inclusion of AFS' results in the financials of the Group for this year.

“The only source
of knowledge
is experience.”

Albert Einstein

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Unit #5

Cobblestone Professional Centre

Tel: 876.625.0845-6

Montego Bay Branch:

Unit #11

Fairview II Shopping Centre

Tel: 876.908.3800-1

UN-AUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

5. Net Profit

Consolidated Net Profit attributable to shareholders fell to US\$2.1 million or US\$0.0040 per share versus US\$4.6 million in the prior year's nine month period. The net profit for the period represents a Return on Equity of 5.67% on an annualized basis.

6. Balance Sheet

Total Assets amounted to US\$370 million as at December 31, 2015, up from US\$347 million as at December 31, 2014, as a result of the capital injection received from the company's Rights Issue in April 2015. Total Liabilities declined marginally to US\$299 million as at December 31, 2015 from US\$304 million as at December 31, 2014. Notes Payable remained flat at US\$93 million, while client liabilities fell marginally to US\$177 million from US\$183 million the prior year, as result of a deleveraging of PWL's Balance Sheet.

7. Shareholder's Equity

Shareholder's Equity increased by 36.5% from US\$42.4 million as at December 31, 2014 to US\$57.9 million as at December 31, 2015 in line with an increase in Share Capital from the Rights Issue in April 2015. Shareholder's Equity was however negatively impacted by the significant volatility in the bond markets, which resulted in a reduction in the Investment Revaluation Reserve to negative US\$15.4 million as at December 31, 2015.

Notwithstanding the above, the portfolio comprises over 50% in Investment Grade securities. We are further comforted by the fact that our Private Equity investments have grown in value over the past year, particularly Access Financial Services Limited which has increased in value by US\$8.7 million since purchase, and these are not reflected in our Investment Revaluation Reserve.

Despite the strength of our balance sheet, we will strengthen our policy of taking provisions against certain securities in the event of a deterioration of the credit quality of these securities that have been particularly affected by what could be a continuing weakness in the energy and mining markets.

8. Dividend Payment

For the reasons highlighted, the Board of Directors of PROVEN Investments Limited have decided that it is prudent to consider a reduced ordinary dividend payment for the quarter ended December 31, 2015 at a Board of Directors meeting to be held on February 17, 2016.

PROVEN Investments Limited

takes this opportunity to thank all of our stakeholders for your support and trust. Our continued success is as a result of the dedication of our Directors, Management and Staff and we thank them for their loyalty and commitment.



Director



Director

"For me, it's knowing that I can make someone feel better and for them to know that someone cares. That makes hard work worth it."

—Lorriane Hutchinson, Nurse



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THE UN-AUDITED STATEMENTS

**FOR THE NINE MONTHS ENDED
DECEMBER 31, 2015**

UN-AUDITED STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

UN-AUDITED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2015

	Quarter ended December 2015	Quarter ended December 2014	Nine Months ended December 2015	Nine Months ended December 2014	Year ended March 2015
	US\$	US\$	US\$	US\$	US\$
INCOME					
Interest Income	6,902,665	4,426,662	20,240,564	11,939,585	18,632,604
Interest expense	(3,342,320)	(3,062,605)	(9,604,824)	(7,897,044)	(10,982,609)
Net Interest income	<u>3,560,345</u>	<u>1,364,057</u>	<u>10,635,740</u>	<u>4,042,541</u>	<u>7,649,994</u>
Other income					
Gains on securities trading	(1,981,828)	872,733	(1,732,402)	2,721,864	386,709
Dividend Income	272,330	165,586	983,881	444,875	439,671
Fees & Commissions	812,289	539,959	2,608,528	1,460,930	2,141,865
Foreign exchange translation gains/(losses)	169,532	96,236	1,171,493	331,911	218,137
Other Income	98,544	48,870	421,934	301,336	541,083
	<u>(629,133)</u>	<u>1,723,384</u>	<u>3,453,434</u>	<u>5,260,916</u>	<u>3,727,466</u>
NET REVENUE	2,931,212	3,087,441	14,089,174	9,303,457	11,377,461
OPERATING EXPENSES					
Preference dividend	(400,310)	284,853	271,491	1,287,820	1,456,059
Administrative and General Expenses	3,569,989	1,661,713	9,937,863	4,852,617	8,282,894
	<u>3,169,679</u>	<u>1,946,566</u>	<u>10,209,354</u>	<u>6,140,437</u>	<u>9,738,953</u>
OPERATING PROFIT	(238,467)	1,140,875	3,879,819	3,163,020	1,638,508
Share of Results of Associates	-	10,300	107,640	10,300	33,158
Gain/(Loss) on Extra Ordinary Activities	-	-	-	(2,676,844)	-
Gain/(Loss) on Purchase of Subsidiary	-	-	-	4,235,420	4,241,420
Profit before income tax	(238,467)	1,151,175	3,987,459	4,731,896	5,913,086
Income tax	(203,291)	-	(586,624)	(47,175)	60,104
Net Profit After Tax	(441,758)	1,151,175	3,400,835	4,684,721	5,973,190
Less income attributable to non-controlling interest	(328,516)	(4,428)	(1,268,424)	1,379	(608,000)
Net Profit Attributable to Shareholders	(770,274)	1,146,747	2,132,411	4,686,100	5,365,190
EARNINGS PER STOCK UNIT - US cents	(0.14)	0.33	0.40	1.33	1.51

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED DECEMBER 31, 2015

	Quarter ended December 2015	Quarter ended December 2014	Nine Months ended December 2015	Nine Months ended December 2014	Year ended March 2015
	US\$	US\$	US\$	US\$	US\$
NET PROFIT	(770,274)	1,146,747	2,132,411	4,686,100	5,365,190
OTHER COMPREHENSIVE INCOME					
Items that are or may be reclassified to profit or loss:					
Unrealised Gain/(loss) on available-for-sale investments	(2,878,935)	(1,813,324)	(10,857,880)	(1,960,356)	(1,880,993)
Foreign exchange translation reserve	(356,824)	(400,454)	(1,487,401)	(833,351)	(978,000)
Total Comprehensive income	(4,006,033)	(1,067,031)	(10,212,870)	1,892,393	2,506,197

UN-AUDITED STATEMENT OF FINANCIAL POSITION

FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

UN-AUDITED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2015

	December 2015 US\$	December 2014 US\$	March 2015 US\$
ASSETS			
Cash and cash equivalents	7,290,356	6,291,039	10,907,721
Available-for-sale investments	301,529,851	291,990,865	286,385,033
Investment in Associates	-	11,581,154	946,185
Loans Receivable	25,881,324	10,065,494	25,758,081
Other Receivables	11,484,858	16,394,074	16,282,391
Related Company	-	1,431,799	-
Property Development In Progress	1,442,291	831,799	1,330,277
Investment Property	395,740	1,207,302	413,886
Intangible Assets	21,432,965	6,920,944	21,457,754
Property, plant and equipment	569,720	289,459	862,667
Total Assets	370,027,105	347,003,929	364,343,995
 LIABILITIES			
Client liabilities	177,089,600	183,719,339	183,810,927
Bank Overdraft	-	-	-
Related company	10,568	-	231,908
Notes Payable	93,609,769	93,913,751	96,456,891
Preference shares	8,092,280	8,502,945	8,474,312
Other liabilities	21,156,293	18,340,661	21,605,706
Total Liabilities	299,958,510	304,476,696	310,579,744
 SHARE HOLDERS' EQUITY			
Share capital	69,248,762	39,980,403	39,980,403
Investment revaluation reserve	(15,446,639)	(4,668,149)	(4,588,759)
Foreign exchange translation	(4,990,405)	(3,359,055)	(3,503,004)
Retained earnings	9,092,688	10,464,506	10,420,069
Total Shareholder's Equity	57,904,406	42,417,705	42,308,709
Minority Interest	12,164,190	109,528	11,455,542
Total Shareholder's Equity and Liabilities	370,027,105	347,003,929	364,343,995

Approved for Issued by the Board of Directors and sign on its behalf by



Director



Director

UN-AUDITED STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

UN-AUDITED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2015

	Period ended December 2015	Period ended December 2014	Year ended March 2015
	US\$	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit	2,132,411	4,686,100	5,365,190
Foreign Exchange Translation	(1,487,401)	(833,351)	(977,300)
Depreciation	147,147	111,082	194,557
Income Tax Charge	586,624	47,175	(60,104)
Operating cashflow before movements in working capital	<u>1,378,781</u>	<u>4,011,006</u>	<u>4,522,343</u>
Changes in operating assets and liabilities			
Receivables	5,141,847	(5,066,301)	(6,493,947)
Client Liabilities	16,871,920	69,895,852	137,886,085
Payables	(7,450,872)	4,837,909	7,982,260
Related company	(221,340)	(1,746,363)	(82,656)
Net cash provided by operating activities	<u>15,720,337</u>	<u>71,932,103</u>	<u>143,814,085</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans	(123,243)	7,631,131	(8,061,456)
Investments in subsidiary	946,184	(11,581,154)	(10,658,710)
Investments in Associates	(647,144)	(665,540)	(946,184)
Purchase of property ,plant and equipment	58,576	(6,560,634)	(22,918,574)
Investments	(43,507,274)	(111,216,207)	(170,868,914)
Cash used in investing activities	<u>(43,272,901)</u>	<u>(122,392,404)</u>	<u>(213,453,838)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Notes payable	(2,847,122)	45,063,504	47,606,644
Issue of Preference Shares	(382,032)	(408,414)	(437,047)
Minority Interest	708,648	(1,379)	22,003,345
Dividend Paid	(2,812,653)	(2,705,902)	(3,429,000)
Issue of Ordinary Shares	29,268,359	10,323,316	10,323,316
Net cash provided by/ (used in) financing activities	<u>23,935,200</u>	<u>52,271,125</u>	<u>76,067,258</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,617,364)	1,810,823	6,427,505
Cash and cash equivalents at beginning of period	<u>10,907,721</u>	<u>4,480,217</u>	<u>4,480,217</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>7,290,356</u>	<u>6,291,039</u>	<u>10,907,721</u>

UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY FOR THE NINE MONTHS ENDED DECEMBER 31, 2015

UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY DECEMBER 31, 2014

	Share capital US\$	Minority Interest US\$	Fair value reserves US\$	Foreign exchange translation US\$	Retained earnings US\$	Total US\$
Balance at April 1, 2014	29,657,087	110,907	(2,707,792)	(2,525,704)	8,484,307	33,018,805
Total Comprehensive Income for the period		(1,379)	(1,960,357)	(833,351)	4,686,101	1,891,014
Issue of Shares	10,323,316					10,323,316
Dividends to equity holders					(2,705,901)	(2,705,901)
Balance at December 31, 2014	<u>39,980,403</u>	<u>109,528</u>	<u>(4,668,149)</u>	<u>(3,359,055)</u>	<u>10,464,507</u>	<u>42,527,234</u>

UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY DECEMBER 31, 2015

	Share capital US\$	Minority Interest US\$	Fair value reserves US\$	Foreign exchange translation US\$	Retained earnings US\$	Total US\$
Balance at April 1, 2015	39,980,403	11,455,542	(4,588,759)	(3,503,004)	10,420,069	53,764,252
Total Comprehensive Income for the period		1,268,425	(10,857,880)	(1,487,401)	2,132,412	(8,944,444)
Issue of Shares	29,268,358					29,268,358
Adjustment to acquisition in Subsidiary					(647,141)	(647,141)
Adjustment to NCI without a change in control		(98,871)				(98,871)
Dividends to equity holders		(460,906)			(2,812,653)	(3,273,559)
Balance at December 31, 2015	<u>69,248,761</u>	<u>12,164,190</u>	<u>(15,446,639)</u>	<u>(4,990,405)</u>	<u>9,092,687</u>	<u>70,068,595</u>

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 2015

1. Identification

PROVEN Investments Limited (“the Company”) is incorporated in Saint Lucia under the International Business Companies Act. The Company is domiciled in Saint Lucia, with registered office at 20 Micoud Street, Castries, Saint Lucia.

The primary activities of the Company are the holding of tradable securities for investment purposes and holding other investments.

“Group” refers to the Company and its subsidiaries, as follows:

Subsidiaries	Country of incorporation	Nature of Business	Percentage Ownership 2015	Ownership 2014
PROVEN Wealth Limited	Jamaica	Funds Management, Investment Advisory Services, Money Market and Equity Trading.	100	100
PROVEN REIT Limited and its wholly owned subsidiary:	St. Lucia	Real Estate Investment	85	85
PROVEN Kingsway	St. Lucia	Real Estate Investment	100	100
Asset Management Company Limited	Jamaica	Hire Purchase Financing	100	100
PWL Transition Limited (formerly First Global Financial Services Ltd.)	Jamaica	Investment Advisory Services, Pension Fund Management and Administration, Money Market and Equity Trading.	100	–
Access Financial Services	Jamaica	Retail Lending	49.72	–

NOTES TO FINANCIAL STATEMENTS

DECEMBER 2015 - CONTINUED

2. Statement of Compliance and Basis of Preparation

Interim Financial Reporting

The condensed consolidated interim financial statements for the nine months ended December 31, 2015 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2015 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

There have been no changes in accounting policies since the most recent audited accounts as at March 31, 2015.

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, applicable to its operations. The nature and effects of the changes are as follows:

- Amendment to IAS 1, Presentation of Financial Statements, entitled "IAS 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income", which led to the following changes in the financial statements:
- Items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that would never be reclassified to profit or loss.

Basis of Measurement

The financial statements are prepared on the historical cost basis, except for the inclusion at fair value of available-for-sale securities and financial assets at fair value through profit or loss.

Functional and presentation currency

The financial statements are presented in United States dollars (US\$), which is the functional currency of the Company, unless otherwise indicated. The financial statements of the subsidiaries, which has the Jamaica dollar as its functional currency, are translated into US\$. All financial information has been rounded to the nearest thousand.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 2015 - CONTINUED

Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the period then ended. Actual amounts could differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Accounting Policies

3. Basis of Consolidation

The consolidated financial statements combine the financial position, results of operations and cash flows of the Company and its subsidiaries (note 1), subject to the eliminations described at note 3(b).

3(a) Subsidiaries

Subsidiaries are all entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, or exercisable after conversion of convertible instruments, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3(b).Transactions eliminated on consolidation:

Intra-Group balances and any unrealised gains and losses and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the Group's interest.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 2015 - CONTINUED

4. Investments

Available-For-Sale Financial Assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale and are carried at fair value except for unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at Fair Value Through Profit or Loss

The Group carries some investment securities at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, and that the Group does not intend to sell immediately or in the near term. Loans and receivables are measured at amortized cost using the effective interest method, except when the Group chooses to designate the loans and receivables at fair value through profit or loss.

5. Resale Agreements

The company purchases government and corporate securities and agrees to resell them at a specified date at a specified price. On making payment the company takes delivery of the securities from the vendor although title is not transferred unless the company does not resell the securities on the specified date or other conditions are not honoured. Resale agreements result in credit exposure, in that the counterparty to the transaction may be unable to fulfil its contractual obligations.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 2015 - CONTINUED

6. Interest Income

Interest income is recognised in profit or loss for all interest-earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

7. Interest Expense

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount. The effective interest rate is established on initial recognition of the financial liability and not revised subsequently. Interest expense includes coupons paid on fixed rate liabilities and accretion of discount or amortization of premium on instruments issued at other than par.

8. Share Capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. In the case of its preference share capital, it is classified as:

(i) equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary; in such a case, dividends thereon are recognised as distributions within equity;

(ii) liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary; in such a case dividends thereon are recognised as interest in profit or loss.

The Group's preference shares bear contractual entitlements to dividends that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as a financial liability.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 2015 - CONTINUED

9. Gain on the Purchase of Subsidiary

On May 30, 2014, PROVEN Investments Limited acquired the entire issued share capital of First Global Financial Services Limited, now PWL Transition Limited, with the Group's main objective being to invest its capital for the ultimate benefit of the shareholders.

The valuations of the acquired tangible and intangible assets have not yet been finalised. IFRS 3 allows the acquirer reasonable time to obtain information necessary to identify and measure identifiable assets acquired and liabilities assumed. Management has utilized these provisions and expects that this assessment will be concluded by the end of the financial year. The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Consideration transferred:

US\$'000

Cash	<u>18,181,630</u>
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Identifiable assets acquired and liabilities assumed

\$'000

Cash and cash equivalents	1,377,868
Available-for-sale investments	180,407,269
Other Receivables	4,775,519
Investment Property	1,156,575
Intangible Assets	6,425,517
Property, plant and equipment	121,684
Client liabilities	(162,106,191)
Notes Payable	(5,885,573)
Other liabilities	<u>(3,855,618)</u>
	<u>22,417,050</u>

Gain on Purchase of Subsidiary

Gain on purchase of subsidiary was recognised as a result of the acquisition as follows:

US\$'000

Total consideration transferred	18,181,630
Less value of identifiable assets	<u>(22,417,050)</u>
Gain on purchase of subsidiary	<u>(4,235,420)</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 2015 - CONTINUED

10. Investment in Subsidiaries

(i) Acquisition of Access Financial Services Limited

PROVEN Investments Limited acquired 49.72% of the issued shares of Access Financial Services Limited ("Access"), obtaining control in the process. The principal activity of Access is retail lending to the microenterprise sector for personal and business purposes. The acquisition is expected to provide an enhanced level of income, above-average returns, and preservation of capital for shareholders of the Company.

(ii) Acquisition of Access Financial Services Limited (cont'd)

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred:	US\$'000
Cash	10,444
Identifiable assets acquired and liabilities assumed	\$'000
Cash and cash equivalents	1,118
Investments	18
Loans receivable	9,487
Intangible assets	52
Property, plant and equipment	617
Deferred tax asset	11
Other assets	138
Notes payable	(2,777)
Income tax payable	(52)
Other liabilities	<u>(1,512)</u>
Net assets	7,100
Intangible asset	6,865
Goodwill acquired	<u>7,633</u>
	21,598
Less: Non-controlling interest	<u>10,958</u>
Total consideration on acquisition	<u><u>10,640</u></u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 2015 - CONTINUED

10. Investment in Subsidiaries Continued

(ii) Acquisition of Access Financial Services Limited (cont'd)

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Cash consideration	10,640
Cash acquired	(1,118)
Net cash outflow arising on the acquisition	<u>9,522</u>

Purchased goodwill

Goodwill was recognised as a result of the acquisition, as follows:

	\$'000
Total consideration transferred	10,640
Fair value of non-controlling interest	10,958
Intangible assets acquired in business combination	(6,865)
Less: Fair value of identifiable assets	(7,100)
Goodwill on purchase of subsidiary	<u>7,633</u>

The goodwill is attributable mainly to the value of brands/trademarks and customer relationships.

11. Earnings per Stock Unit

PROVEN Investments Limited's Earning per Stock Unit "EPS" is computed by dividing the profit attributable to stockholders of the parent of US\$ 2,132,412 by the weighted average number of ordinary stock units in issue during the reporting period numbering 531,272,897 shares.

PROVEN

Listed on
The Jamaica Stock Exchange

20 Micoud Street, Castries, St. Lucia • E-mail info@weareproven.com

www.weareproven.com