

# **JAMAICA MONEY MARKET BROKERS LIMITED**

## **Results for the Nine-Month**

**Period Ended 31 December 2004**

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### **Directors' Statement - Interim Report for December 31, 2004**

The directors are pleased to announce the nine-month results for the period ended December 31, 2004. Over the period, the group made profit before tax of \$1,317.6 million, which was a 23.3% increase over the corresponding prior year amount of \$1,068.6 million. Profit attributable to the group was \$1,226.7 million versus last year's amount of \$1,105.4 million. The result is that EPS increased by 8 cents to 84 cents over the corresponding prior period.

Despite a fall in total interest income from \$6,588 million to \$6,116 million, the group managed to increase net interest income by 65% from \$680 million to \$1,119.7 million. This was as a result of reduced rates as well as prudent management of the interest rate spreads. This result, along with additional revenues of \$791 million, contributed to the 39.8% increase in net operating revenue to \$1,911 million. Additionally, operating profit grew by 48.3% to \$1,024 million, which was influenced by operational efficiencies resulting from the group's focus on controlling costs while growing revenues. This was demonstrated by an improvement in the efficiency ratio, as administrative expenses as a percent of net operating revenue declined from 49.5% to 46.4% over the comparable nine-month period.

The associated companies continue to post significant results and for the nine-month period contributed \$290.1 million. Although not as strong as the \$377.2 million reported last year, we expect the performance to recover in the future

based on a 100% improvement in the third quarter results over the corresponding prior year period moving from \$60.5 million to \$120.5 million.

The company's asset base also saw a 2.2% increase from \$58.2 billion in the prior year to \$59.5 billion. At the same time, group equity registered a significant \$2 billion increase from \$2.9 billion to \$4.9 billion.

During the quarter the group completed the 50% acquisition of InterCommercial Bank Limited (IBL) in Trinidad, a strategic acquisition which should further diversify our revenue stream. The IBL group includes both a commercial and merchant banking entity.

The JMMB team acknowledges our clients for their loyalty and support as we grow from strength to strength to continue to serve you better.

Keith P. Duncan  
President and Chief Operating Officer

Noel A. Lyon  
Chairman

## Unaudited Group Balance Sheet

As at December 31, 2004

	Unaudited as at 31-Dec-04 J\$'000	Unaudited as at 31-Dec-03 J\$'000	Audited as at 31-Mar-04 J\$'000
<b>ASSETS</b>			
Cash & cash equivalents	1,384,695	1,295,426	652,268
Interest and other receivables	3,085,017	3,275,951	3,400,938
Resale agreements & investments	53,177,975	52,196,084	55,887,965
Other assets	1,404,493	594,465	875,646
Deferred tax	60,286	542,369	71,818
Property, plant and equipment	401,333	333,067	326,996
	<b>59,513,799</b>	<b>58,237,362</b>	<b>61,215,631</b>

**LIABILITIES & STOCKHOLDERS' EQUITY****Liabilities**

Interest payable and other liabilities	1,222,446	2,207,241	2,101,102
Repurchase agreements	52,335,809	53,143,062	55,102,420
Loan	1,059,009	-	-
Minority interest	5,080	-	-
	<u>54,622,344</u>	<u>55,350,303</u>	<u>57,203,522</u>

**Stockholders' Equity**

Retained earnings	3,931,196	2,621,496	2,969,738
Investment revaluation reserve	580,637	(114,059)	662,749
Share capital	379,622	379,622	379,622
	<u>4,891,455</u>	<u>2,887,059</u>	<u>4,012,109</u>
	<u><b>59,513,799</b></u>	<u><b>58,237,362</b></u>	<u><b>61,215,631</b></u>

**Statement of Group Cash Flows****Nine Months Ended December 31, 2004**

	<b>Unaudited 31-Dec-04 J\$ '000</b>	<b>Unaudited 31-Dec-03 J\$ '000</b>
Net Profit attributable to members	1,226,674	1,105,385
Items not involving cash	(308,760)	(484,640)
	<u>917,914</u>	<u>620,745</u>
Cash flows from operating assets and liabilities	(560,243)	(1,816,185)
<b>Net cash provided / (used) by operating activities</b>	<u>357,671</u>	<u>(1,195,440)</u>
Cash flows from investing activities	2,082,358	(7,591,492)
Cash flows from financing activities	(1,707,602)	9,284,490
<b>Net increase in cash &amp; cash equivalents</b>	<u>732,427</u>	<u>497,558</u>
Cash & cash equivalents at the beginning of the period	652,268	797,868
<b>Cash &amp; cash equivalents at end of period</b>	<u>1,384,695</u>	<u>1,295,426</u>

## Unaudited Group Statement of Changes in Stockholders' Equity

Nine months ended December 31, 2004

	Share Capital J\$' 000	Share Premium J\$' 000	Retained profits J\$' 000	Investment Revaluation Reserve J\$' 000	Total J\$' 000
<b>Balances at February 28, 2003 as restated using IFRS (audited)</b>	365,847	13,775	1,573,312	(91,398)	1,861,536
<b>Balances at March 31, 2003 as restated using IFRS (unaudited)</b>	365,847	13,775	1,653,705	(520,758)	1,512,569
Unrealized gain on available-for-sale portfolio, net of taxes	-	-	-	406,699	406,699
Net profit for nine months ended December 31, 2003	-	-	1,105,385	-	1,105,385
Dividends paid	-	-	(137,594)	-	(137,594)
<b>Balances at December 31, 2003</b>	365,847	13,775	2,621,496	(114,059)	2,887,059
<b>Balances at March 2004 (audited)</b>	365,847	13,775	2,969,738	662,749	4,012,109
Unrealized loss on available-for-sale portfolio, net of taxes	-	-	-	(82,112)	(82,112)
Transferred to minority interest	-	-	(1,816)	-	(1,816)
Net profit for nine months ended December 31, 2004	-	-	1,226,674	-	1,226,674
Dividends paid	-	-	(263,400)	-	(263,400)
<b>Balances at December 31, 2004</b>	365,847	13,775	3,931,196	580,637	4,891,455
<b>Profits retained in the financial statements of:</b>					
	<b>2004</b>		<b>2003</b>		
	<b>\$' 000</b>		<b>\$' 000</b>		
The Company	3,854,241		2,588,024		
The Subsidiaries	76,955		33,472		
	<u>3,931,196</u>		<u>2,621,496</u>		

## Unaudited Statement of Group Revenue and Expenses

Nine months ended December 31, 2004

	Unaudited Nine months ended 31-Dec-04 J\$ '000	Unaudited Nine months ended 31-Dec-03 J\$ '000	Unaudited Quarter ended 31-Dec-04 J\$ '000	Unaudited Quarter ended 31-Dec-03 J\$ '000	Audited Thirteen months ended 31-Mar-04 J\$ '000
Interest income	6,115,653	6,588,131	2,069,471	1,324,726	9,257,999
Interest expense	(4,995,942)	(5,908,154)	(1,704,388)	(1,022,187)	(8,319,728)
<b>Net interest income</b>	1,119,711	679,978	365,083	302,538	938,271
Gains on securities trading, net	723,403	561,136	268,308	141,459	857,126
Fees and commissions	48,607	98,718	6,680	20,254	146,058
Foreign exchange margins from cambio trading	19,048	27,074	8,059	6,888	49,074
<b>Net operating revenue</b>	1,910,769	1,366,906	648,130	471,139	1,990,529
Administrative expenses	(887,186)	(676,748)	(348,090)	(210,659)	(1,001,663)
<b>Operating profit</b>	1,023,583	690,158	300,040	260,481	988,866
Other Income					
Share of profits of associated companies	290,090	377,218	120,511	60,502	527,156
Other	3,909	1,265	2,902	(217)	2,582
<b>Profit before income tax</b>	1,317,583	1,068,641	423,453	320,766	1,518,604
Income Tax	(88,172)	36,744	2,664	(41,538)	28,551
<b>Net Profit after tax and before minority interest</b>	1,229,411	1,105,385	426,117	279,228	1,547,155
Minority interest	(2,737)	-	(2,737)	-	-
<b>Profit attributable to the Group</b>	1,226,674	1,105,385	423,380	279,228	1,547,155
<b>Earnings per stock unit</b>	\$0.84	\$0.76	\$0.29	\$0.19	\$1.06

## Notes to the Financial Statements

### 1. Basis of Preparation

These financial statements have been prepared in accordance with and comply with

International Financial Reporting Standards ("IFRS"), and have been prepared under the historical cost convention as modified for the inclusion of trading and available-for-sale securities, which are stated at market value.

Accounting policies applied in these financial statements are consistent with those used in the audited financial statements for the period ended March 31, 2004.

These financial statements are presented in Jamaican dollars.

## **2. Significant Accounting Policies**

### **(a) Investments**

Investments are classified as trading, originated, held-to-maturity or available-for-sale and are initially recorded at cost. Management at the time of purchase determines an appropriate classification based on intent and ability to hold.

Investments held for trading are carried at fair value, with changes in fair value being recognised in the statement of group revenue and expenses. Where the group acquires instruments on the primary market, other than those, if any, for trading, they are classified as originated securities, and are measured at amortised cost less impairment losses. Where the group has the positive intent and ability to hold investments to maturity, they are classified as held-to-maturity investments and measured at amortised cost less impairment losses. Other investments are classified as available-for-sale and are stated at fair value, except where fair value cannot be reliably determined, with gains or losses arising from changes in fair value being included in investment revaluation reserve.

The fair value of investments is based on their quoted market bid price at the balance sheet date without any deduction for transaction costs. Where a quoted market price is not available, fair value is estimated using a generally accepted alternative such as discounted cash flow.

Investments are recognised or derecognised by the company on the date of settlement.

### **(b) Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of revenue and expenses except to the

extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

**(i) Current income tax:**

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years.

**(ii) Deferred income tax:**

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements at current corporation tax rates.

**(c) Loan**

This represents a US\$5 Million loan at 6.5% for five years for the acquisition of InterCommercial Bank Limited (IBL) of Trinidad and Tobago (see note h) and an unsecured loan of US\$12.5 Million from the associated company, Caribbean Money Market Brokers Limited, at an annual rate of 8.25% for five years. The purpose of the loans is to augment our capital base thereby facilitating current and future expansion.

**(d) Cash and Cash Equivalents**

For the purposes of the cash flow statements, cash and cash equivalents comprise cash in hand, bank balances and very short-term balances with other broker/dealers.

**(e) Earnings per stock unit**

Earnings per stock unit ("EPS") is computed by dividing net profit attributable to the group of \$1,226,674,000 (2003: \$1,105,385,000) by the number of stock units in issue during the period, numbering 1,463,386,752 (2003:1,463,386,752).

**(f) Segment Reporting:**

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments, At this time there are no material segments into which the group's business may be broken down.

**(g) Seasonality of Revenue:**

Gain on Securities Trading is dependent on market conditions and may result in fluctuations in reported results from period to period.

**(h) Acquisition of shares in InterCommercial Bank Limited:**

On December 29, 2004 the group, through JMMB Trinidad Limited, a wholly owned subsidiary, acquired 50 per cent of the ordinary share capital and voting rights of InterCommercial Bank Limited (IBL) in Trinidad in exchange for cash payments of US\$4,981,213. IBL is accounted for in these statements as an associate of the JMMB group. The profit contribution for the period December 29-31, 2004 was not considered material and as such has not been included in these statements.

**3. Basis of Preparation**

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS"), and have been prepared under the historical cost convention as modified for the inclusion of trading and available-for-sale securities, which are stated at market value.

Accounting policies applied in these financial statements are consistent with those used in the audited financial statements for the period ended March 31, 2004.