



# MAYBERRY

INVESTMENTS LIMITED

## CHIEF EXECUTIVE OFFICER'S COMMENTARY ON FINANCIAL RESULTS

FOR THE SECOND QUARTER ENDED 30 JUNE 2010.

### PERFORMANCE HIGHLIGHTS

Net profit for the six months ended 30 June 2010 was \$47 million which translates in earnings of \$0.04 per share. Net interest income grew by \$27.5 million or 25%, fees and commissions grew by \$105 million or 540%, net trading gains grew by \$143 million or 1,766%, over the corresponding period ended 30 June 2009. The growth in revenues was negated by the increase in net foreign exchange loss of \$346 million or 224% and increase in net unrealised loss on investment securities of \$30.1 million or 1,058%, over the corresponding period ended 30 June 2009.

Administrative expenses totalled \$258 million and increased by 10% over the corresponding period ended 30 June 2009.

In this quarter we recorded a net loss of \$10.9 million; our result for the quarter was significantly impacted by net foreign exchange loss as well as net unrealised loss on the assets held in our trading securities portfolio.

### Revenues

We continue to record significant growth in our fee based income as well as net trading gains, we are pleased with the level of growth achieved so far which is in line with our strategy to diversify and grow our revenue stream. The growth in fees and commission resulted from the execution of more fee based transactions, advisory services and the growth in net trading gains resulted from more transactions being completed as compared to the corresponding period. During the quarter, the foreign exchange market experienced a significant revaluation of the Jamaican dollar against the United States (US) dollar, which rose by 4%, as well as the devaluation of the Euro dollar against the US dollar, which devalued by 12%. The sharp movement in these currencies coupled with our decision to hold foreign currencies securities in our portfolios, resulted in the losses being recorded.

Overall net interest income and other revenues for the quarter were \$70.5 million compared to \$128.3 million in 2009, a decrease of \$57.8 million or 45%. The growth



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in our fees and commissions was 798% or \$53.5 million and the growth in our net trading gains was 513% or \$62.7 million over the corresponding quarter. This was significantly impacted by the net foreign exchange loss which increased by \$115 million or 940% and net unrealised loss on trading securities which increased by \$21.5 million or 675%, over the corresponding quarter. Dividend income recorded a decline of \$13 million or 37% over the corresponding quarter.

## Share of Results of Associates

Our share of profit from Access was \$11.9 million for the quarter, reflecting a 120% increase over the corresponding quarter. The market value of our 39% shareholdings in Access has grown to \$484,235,000 since our initial investment of \$38,360,000, made in 2006. Access continues to expand its operations and continues to make a positive contribution to Jamaica's small and medium enterprises.

## Expenses

Administrative expenses totalled \$127 million for the quarter compared to \$122 million for the corresponding period.

## Balance Sheet

There has been a \$7.5 billion or 34% overall increase in our asset base over the corresponding period ended 30 June 2009. This was driven by increases in our investment securities of \$3.7 billion or 25% and our funds under management of \$3.8 billion or 97%. The growth in our investment securities was provided by institutional funding.

## Regulatory Capital Requirements

Our capital base remains strong. Our capital to risk weighted asset ratio stood at 39% whereas the Financial Services Commission (FSC) benchmark stipulates a minimum of 14%. Our capital to total assets ratio was 8% whereas the FSC benchmark is 6%.

## Junior Stock Exchange Listings

We are proud to have been the lead broker for Jamaican Teas Limited in its Initial Public Offer. The offer was oversubscribed by approximately 89% and the Company raised \$99 million in capital which is now available to expand its operations. Again, we take this opportunity to encourage other unlisted small and medium sized companies to consider listing on Jamaica's Junior Stock Exchange as there are significant benefits to companies and shareholders from being listed.

I wish to thank our management and staff for the hard work that they have put during this period.

I also wish to thank our clients for their business over the past twenty-five years.

Gary Peart  
Chief Executive Officer



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## Consolidated Income Statement

FOR THE 6 MONTHS ENDED 30 JUNE 2010

	<u>UNAUDITED</u> 3 Months Ended 30 June 2010	<u>UNAUDITED</u> 3 Months Ended 30 June 2009	<u>UNAUDITED</u> 6 Months Ended 30 June 2010	<u>UNAUDITED</u> 6 Months Ended 30 June 2009	<u>AUDITED</u> 12 Months Ended 31 December 2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Interest income	378,730	564,648	832,716	1,232,483	2,093,929
Interest expense	(323,851)	(506,463)	(693,449)	(1,120,680)	(1,835,713)
Net interest income	54,879	58,185	139,267	111,803	258,216
Fees and commissions	60,225	6,727	124,534	19,468	47,987
Dividend income	22,511	35,494	28,012	69,437	101,965
Gain/(loss) on sale of investments	50,482	(12,237)	151,361	8,112	24,281
Net foreign exchange (loss)/gain	(95,491)	19,549	(191,206)	154,704	268,294
Unrealised (loss)/gain on investment securities	(24,702)	(3,186)	(32,980)	2,847	7,342
Loan provision recovered/written back	-	19,000	2,997	19,000	-
Other income	2,614	4,725	17,128	9,652	15,731
Net interest income and other operating revenue	70,518	128,257	239,113	395,023	723,816
Provision for credit losses	(3,753)	(9,023)	-	(18,023)	(62,075)
Depreciation and amortization	(6,566)	(6,600)	(14,257)	(13,195)	(27,445)
Administrative expenses	(126,994)	(121,996)	(257,718)	(233,292)	(452,988)
	(66,795)	(9,362)	(32,862)	130,513	181,308
Share of results of associate	11,904	5,389	27,175	11,179	29,927
(Loss)/profit before taxation	(54,891)	(3,973)	(5,687)	141,692	211,235
Taxation credit	43,968	20,892	52,360	10,255	34,238
<b>Net (Loss)/Profit</b>	<b>(10,923)</b>	<b>16,919</b>	<b>46,673</b>	<b>151,947</b>	<b>245,473</b>
<b>Number of Shares in Issue</b>	1,201,149,291	1,201,149,291	1,201,149,291	1,201,149,291	1,201,149,291
<b>Earnings Per Stock Unit</b>	<b>(\$0.01)</b>	<b>\$0.01</b>	<b>\$0.04</b>	<b>\$0.13</b>	<b>\$0.20</b>




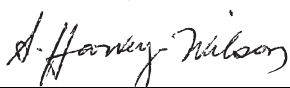
### Consolidated Statement of Financial Position

AS AT 30 JUNE 2010

	(UNAUDITED) <u>JUNE</u> <u>2010</u> \$'000	(UNAUDITED) <u>JUNE</u> <u>2009</u> \$'000	AUDITED <u>DECEMBER</u> <u>2009</u> \$'000
<b>ASSETS</b>			
Cash resources	557,215	465,223	433,304
Investment securities	18,109,482	14,429,912	17,426,658
Reverse repurchase agreements	646,606	108,878	16,045
Capital management funds	7,678,010	3,894,727	4,687,130
Promissory notes	911,718	1,081,936	988,906
Interest receivable	249,097	305,653	454,340
Loans and other receivables	1,066,557	1,335,927	1,067,920
Deferred taxation	195,113	346,651	168,772
Investment property	8,432	8,432	8,432
Property, plant and equipment	110,216	113,373	122,999
Investment in associate	131,425	85,501	104,250
<b>TOTAL ASSETS</b>	<b><u>29,663,871</u></b>	<b><u>22,176,213</u></b>	<b><u>25,478,756</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Bank overdraft	79,388	45,003	16,042
Capital management funds obligation	7,678,010	3,894,727	4,687,130
Securities sold under repurchase agreements	15,709,839	12,328,162	14,461,154
Interest payable	204,170	248,140	315,873
Loans	1,736,152	2,633,233	2,337,289
Accounts payable	719,980	255,076	248,872
Redeemable preference shares	501,343	501,343	501,343
	<u>26,628,882</u>	<u>19,905,684</u>	<u>22,567,703</u>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	1,582,381	1,582,381	1,582,381
Fair value reserve	(337,902)	(1,069,132)	(525,634)
Other reserve	22,596	15,096	18,596
Retained earnings	1,767,914	1,742,184	1,835,710
	<u>3,034,989</u>	<u>2,270,529</u>	<u>2,911,053</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>29,663,871</u></b>	<b><u>22,176,213</u></b>	<b><u>25,478,756</u></b>

Approved for issue by the Board of Directors on \_\_\_\_\_ and signed on its behalf by:

  
 \_\_\_\_\_  
 Gary Peart  
 Chief Executive Officer

  
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 Sharon Harvey-Wilson  
 Director - Finance, Administration & Compliance



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## Consolidated Statement of Comprehensive Income

FOR THE 6 MONTHS ENDED 30 JUNE 2010

	<u>UNAUDITED</u> 6 Months Ended 30 June 2010	<u>UNAUDITED</u> 6 Months Ended 30 June 2009 \$'000	<u>AUDITED</u> 12 Months Ended 31 December 2009 \$'000
<b>Profit for the period</b>	46,673	151,947	245,473
Other Comprehensive Income for the period net of tax:			
Unrealised gains/(losses) on investments	169,355	(190,614)	199,990
Realized fair value (losses)/gains on investments transferred to consolidated income statement	-	(52,379)	100,515
Employee share option	4,000	4,500	8,000
<b>Total comprehensive income</b>	<u>220,028</u>	<u>(86,546)</u>	<u>553,978</u>



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## Consolidated Statement of Changes in Equity

FOR THE 6 MONTHS ENDED 30 JUNE 2010

	Share Capital	Fair Value Reserve	Other Reserve	Retained Profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2009	1,582,381	(826,139)	10,596	1,686,329	2,453,167
Total comprehensive income	-	(242,993)	4,500	151,947	(86,546)
Realized fair value losses on equity instruments transferred to retained earnings	-	-	-	-	-
Dividends	-	-	-	(96,092)	(96,092)
<b>Balance at 30 June 2009</b>	<b>1,582,381</b>	<b>(1,069,132)</b>	<b>15,096</b>	<b>1,742,184</b>	<b>2,270,529</b>
Balance at 1 January 2010	1,582,381	(525,634)	18,596	1,835,710	2,911,053
Total comprehensive income	-	169,355	4,000	46,673	220,028
Realized fair value losses on equity instruments transferred to retained earnings	-	18,377	-	(18,377)	-
Dividends	-	-	-	(96,092)	(96,092)
<b>Balance at 30 June 2010</b>	<b>1,582,381</b>	<b>(337,902)</b>	<b>22,596</b>	<b>1,767,914</b>	<b>3,034,989</b>



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## Consolidated Statement of Cash Flows

FOR THE 6 MONTHS ENDED 30 JUNE 2010

	<u>Unaudited</u> 3 Months Ended 30 June 2010 \$'000	<u>Unaudited</u> 3 Months Ended 30 June 2009 \$'000	<u>Unaudited</u> 6 Months Ended 30 June 2010 \$'000	<u>Unaudited</u> 6 Months Ended 30 June 2009 \$'000	<u>Audited</u> 12 Months Ended 31 December 2009 \$'000
(Loss)/profit for the period	(54,891)	(3,973)	(5,687)	141,692	211,235
Adjustment to reconcile profit for the period to net cash used in operating activities	77,107	(414,601)	59,997	(435,838)	(298,872)
Cash (used in)/provided by operating activities	<u>(382,883)</u>	<u>467,431</u>	<u>103,587</u>	<u>(162,291)</u>	<u>(265,275)</u>
Net cash (used in)/provided by operating activities	<u>(360,667)</u>	<u>48,857</u>	<u>157,897</u>	<u>(456,437)</u>	<u>(352,912)</u>
Net cash used in investing activities	<u>(1,017)</u>	<u>-</u>	<u>(1,241)</u>	<u>320</u>	<u>(23,618)</u>
Net cash used in financing activities	<u>-</u>	<u>(96,092)</u>	<u>(96,092)</u>	<u>(96,092)</u>	<u>(96,092)</u>
(Decrease)/increase in cash and cash equivalents	<u>(361,684)</u>	<u>(47,235)</u>	<u>60,564</u>	<u>(552,209)</u>	<u>(472,622)</u>
Effects of change in exchange rate on cash and cash equivalents	-	-	-	-	(82,545)
Cash and cash equivalents at beginning of period	<u>839,510</u>	<u>467,455</u>	<u>417,262</u>	<u>972,429</u>	<u>972,429</u>
Cash and cash equivalents at end of period	<u>477,826</u>	<u>420,220</u>	<u>477,826</u>	<u>420,220</u>	<u>417,262</u>