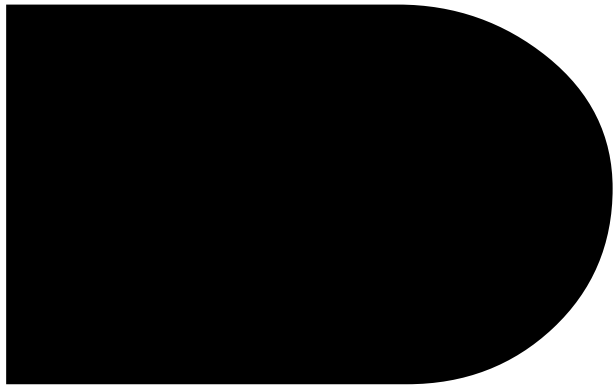


**THE INVESTMENT  
MAGAZINE**

by: PROVEN Investments Limited

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SEPTEMBER 2016 EDITION



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# UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

## PROVEN INVESTMENTS LIMITED REPORTS UNAUDITED FINANCIAL RESULTS

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The Board of Directors of PROVEN Investments Limited ("PIL") is pleased to report its unaudited financial statements for the six months ended September 30, 2016.

### FINANCIAL HIGHLIGHTS

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<b>US\$3.94 million</b>	—	• Net Profit attributable to shareholders
<b>US\$0.71</b>	—	• Earnings Per Share
<b>US\$360.5 million</b>	—	• Consolidated Total Assets
<b>12.08%</b>	—	• Annualized Return on Equity
<b>54.27%</b>	—	• Efficiency Ratio
<b>US\$0.0027 per share</b>	—	• Declared Dividend

### OPERATING ENVIRONMENT

---

Global economic growth continued to be sluggish throughout the six months ending September 2016 as the world's GDP expanded by a projected rate of 3.4%. Advanced economies continue to recover at a slow but steady pace, while economic conditions in most emerging market economies are gradually stabilizing. Bold monetary policy stimuli and renewed fiscal support in some countries seeks to stimulate economic growth in the coming quarters. The global market stabilized following the second quarter period between April - June for a few reasons mainly because of continued central bank easing at the Bank of Japan and the European Central Bank and the continued stability in the oil markets. The markets also recovered from the initial shock of the late-June U.K. referendum vote to leave the European Union as there has been no real negative impact yet. Expectations of continued monetary accommodation, and stable global economic data soothed investor concerns as well. While global liquidity remained sufficient, monetary policy rates remained relatively unchanged during the quarter and bond yields rose modestly.

Bond markets stabilized during the third quarter of July - September, particularly when compared to the tumultuous final week of June. The strongest performers were high-yield corporate bonds and emerging-market debt, which benefited from spreads narrowing below historical average levels. An initially negative market reaction to the surprise Brexit vote passed quickly and in July markets returned to the more familiar ground of evaluating policy moves from the world's major central banks. In the US, economic momentum continued to track broadly in the right direction and by September the Federal Open Market Committee (FOMC) was split on whether to raise rates. The 10-year Treasury yield also climbed from 1.47% to 1.59% during the quarter.

# UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

US equities performed well and the S&P 500 advanced 3.9%. Expectations rose that the Federal Reserve would increase rates again before the end of 2016, firstly after the central bank suggested it was more relaxed about the potential wider repercussions of the UK's decision to leave the European Union, and then after it noted that the case for a further rise had become stronger. The Federal Reserve let the federal funds target rate range stand at a range of 0.25% to 0.50% during its July and September meetings, but gave a generally upbeat outlook for the economy in both announcements. Hence, the probability has heightened for the possibility of a rate hike before year-end.

As expected, the Caribbean's economic growth has exhibited sluggish performance similar to that of the global economy. This month, the GDP growth forecast was steady for the fifth consecutive month. It is expected for the region's economy to expand 3.0% with stable GDP growth prospects. Growth prospects were revised down for three countries, while Belize and Costa Rica were the only two countries for which this year's GDP growth estimates were revised up. The regional projection for 2017 was also unchanged at the previous month's 3.2% increase. Dominican Republic is expected to be the fastest growing economy this year with a growth rate of 5.8%. On the other hand, the economies of Trinidad and Tobago and Puerto Rico are expected to be the worst performers with contractions of 2.0% and 1.4%, respectively.

Looking forward, the market focus for the remainder of the year will be on Europe and the U.S. The key things to watch for will include the U.S. Presidential Election, the FOMC meeting and the geopolitical and economic situation in Europe, especially the implementation of Brexit.

## **FINANCIAL PERFORMANCE**

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Proven Investments Limited experienced top-line growth in the six months ended September 30, 2016 of 27.87%, with Net Revenue increasing to US\$14.27 million versus US\$11.16 million earned in the six months ending September 2015. The increase in Net Revenue is mainly as a result of the significant increase in trading gains compared to the same period last year where markets were extremely volatile. Net Profit for the six months ended September 30, 2016 amounted to US\$5.35 million. This represents an increase of 39.20% from the US\$3.84 million earned in the same period last year.

# UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

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## 1. Carry Trade

Spread income was the major contributor to revenue during the period, as the carry trade strategy performed well. Net interest income was relatively flat when compared to last year, amounting to US\$7.08 for the six months to September 30, 2016. Dividend income increased 2.01% to US\$0.73 million from US\$0.71 million for the prior period, due to the realignment of the investment portfolio during the six month period.

Realised gains from the trading of securities for the period amounted to US\$1.98 million, increasing by 8 times when compared to US\$0.25 million for the same period last year. Net foreign exchange gains increased by 87.4%, to US\$1.88 million from US\$1.00 million reported for the period ending September 2015, as a result of the 8.22% devaluation of the Jamaican Dollar versus the US Dollar during the six month period.

We continue to monitor the investment arena and strategically adjust our positioning to take advantage of opportunities that fit our risk-reward criteria diversifying our portfolio across fixed income sectors and non-bond sources of income with varied risk exposures to lower volatility, while enhancing our expected risk-adjusted returns.

## 2. Private Equity

Private equity investments that fit our risk to 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") had a successful six months, experiencing significant growth in profits up to US\$1.1 million. As the firm continues its strategy to offer innovative investment products to clients, and reduce the issue of repurchase agreements the balance sheet experienced an overall 8.24% contraction compared to the same period last year. Total Assets for the company as at September 30, 2016 stood at US\$168.2 million.

### **Proven Fund Managers Limited**

PFM Limited (formerly Proven Wealth Transition Limited), continues to be a formidable player in fund management and administration. Profitability improved during the quarter ended September 2016 as a result of improved efficiency following the amalgamation with Proven Wealth Limited. Net profits for the quarter was US\$0.39 million while total assets stood at US\$2.59 million as of Sept 30, 2016.

# UNAUDITED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

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### Private Equity - Continued

#### **Access Financial Services Limited**

AFS contributed considerably to the results of the Group during the quarter, producing net profits of US\$2.92 million for the quarter ended September 30, 2016, representing a 34.8% increase in US dollar terms over the prior year results. The loan portfolio was US\$18.9 million as at September 30, 2016, representing a 15.1% increase compared to the same period last month.

### 3. Real Estate

PROVEN REIT Limited is now a wholly owned subsidiary of Proven Investments Limited. Having successfully completed and sold the residential development on Kingsway Avenue in Kingston, Jamaica, the company is now embarking on two additional residential development in Jamaica the first on Sullivan Avenue, Kingston 8 which is expected to be completed by March 2017. The second is on Millsborough Avenue in Kingston 6, which is expected to break ground by February 2017. The company also continues closely monitor the local and international real estate markets for new opportunities.

### 4. Operating Expenses

For the six month period ending September 30, 2016, consolidated operating expenses increased by 9.99% to US\$7.74 million from US\$7.04 million in the prior year period. However, the Efficiency Ratio, including all income and expense items, decreased to 54.27% compared to 63.09% for the same period last year mainly as a result of increase in Net Revenue. Over the previous quarters, expense management and consolidation has been a key focus of management and we have achieved success in reducing our efficiency ratio closer to the established target of 50%.

### 5. Net Profit

Net Profit attributable to shareholders totalled US\$3.94 million or 0.71 cents per share versus US\$2.90 million or 0.56 cents per share in the quarter ended September 2015. This represents an annualized Return on Equity of 12.08% for the six month period ending September 30, 2016.

“The only source  
of knowledge  
is experience.”

Albert Einstein

**PROVEN**

**WEALTH**

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Kingston 5

Tel: 876.908.3800-1

**Mandeville Branch:**

Unit #5

Cobblestone Professional Centre

Tel: 876.625.0845-6

**Montego Bay Branch:**

Unit #11

Fairview II Shopping Centre

Tel: 876.908.3800-1

# UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

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## 6. Balance Sheet

Total assets amounted to US\$360.5 million as of September 30, 2016, down from US\$385.3 million as of September 30, 2015. Total liabilities reduced to US\$276.2million as at September 30, 2016 from US\$310.4 million as of September 30, 2015, mainly as a result of the reduction in client’s liabilities with Proven Wealth Limited to US\$151.4 from US\$176.1 in the same period of last year. Notes payable was also reduced to US\$96.7 million from US\$109.6 million for the same period last year.

## 7. Shareholder’s Equity

Shareholder’s Equity attributable to the owners of the company increased by 12.51% from US\$62.90 million as of September 2015 to US\$70.78 million as of September 30, 2016 in line with an increase in Retained Earnings and a positive change in the Investment Revaluation Reserve during the period, following the recovery in the bond market.

## 8. Dividend Payment

The Board of Directors has approved an interim dividend payment of US\$0.0027 per share to all ordinary shareholders on record as at November 18, 2016 to be paid on December 7, 2016. This will bring the total dividend for the financial year to date to US\$0.0054 per share, representing an annualized tax-free dividend yield of 5.56% based on the average share price of US\$0.18 for the six months ended September 30, 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.



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Director



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Director



# PROVEN

## Investments Limited

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We would like to take 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.

*"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**

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FOR THE SIX MONTHS ENDED  
SEPTEMBER 30, 2016

# UN-AUDITED STATEMENT OF INCOME

## FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Quarter ended September 2016	Quarter ended September 2015	6 Months ended September 2016	6 Months ended September 2015	Year ended March 2016
	US\$	US\$	US\$	US\$	US\$
<b>INCOME</b>					
Interest Income	6,241,391	6,723,795	12,597,297	13,337,899	26,469,156
Interest expense	<u>(2,839,065)</u>	<u>(3,071,709)</u>	<u>(5,520,096)</u>	<u>(6,262,504)</u>	<u>(12,835,027)</u>
Net Interest income	<u>3,402,326</u>	<u>3,652,086</u>	<u>7,077,201</u>	<u>7,075,395</u>	<u>13,634,128</u>
<b>Other income</b>					
Gains on securities trading	1,677,943	(94,434)	1,983,359	249,426	271,694
Dividend Income	354,661	255,381	725,835	711,551	1,323,305
Fees & Commissions	971,027	1,067,427	2,011,436	1,796,239	3,837,937
Foreign exchange translation gains/(losses)	589,937	496,416	1,877,288	1,001,961	1,512,553
Other Income	<u>184,362</u>	<u>144,190</u>	<u>592,645</u>	<u>323,390</u>	<u>576,726</u>
	<u>3,777,930</u>	<u>1,868,980</u>	<u>7,190,563</u>	<u>4,082,567</u>	<u>7,522,216</u>
<b>NET REVENUE</b>	<b>7,180,256</b>	<b>5,521,066</b>	<b>14,267,764</b>	<b>11,157,962</b>	<b>21,156,345</b>
<b>OPERATING EXPENSES</b>					
Preference dividend	474,738	367,588	963,851	671,802	331,112
Impairment of Investment	-	-	-	-	1,744,185
Administrative and General Expenses	<u>3,308,543</u>	<u>3,238,603</u>	<u>6,778,925</u>	<u>6,367,874</u>	<u>14,466,750</u>
	<u>3,783,282</u>	<u>3,606,191</u>	<u>7,742,777</u>	<u>7,039,676</u>	<u>16,542,047</u>
<b>OPERATING PROFIT</b>	<b>3,396,974</b>	<b>1,914,875</b>	<b>6,524,987</b>	<b>4,118,286</b>	<b>4,614,298</b>
Share of Results of Associates	-	66,783	-	107,640	107,640
<b>Profit before income tax</b>	<b>3,396,974</b>	<b>1,981,658</b>	<b>6,524,987</b>	<b>4,225,926</b>	<b>4,721,938</b>
<b>Income tax</b>	<b>(600,373)</b>	<b>52,875</b>	<b>(1,176,056)</b>	<b>(383,333)</b>	<b>(438,695)</b>
<b>NET PROFIT AFTER TAX</b>	<b><u>2,796,601</u></b>	<b><u>2,034,533</u></b>	<b><u>5,348,931</u></b>	<b><u>3,842,593</u></b>	<b><u>4,283,243</u></b>
Less income attributable to non-controlling interest	(823,848)	(456,372)	(1,410,289)	(939,908)	(1,939,705)
<b>Profit attributable to owners of the company</b>	<b><u>1,972,753</u></b>	<b><u>1,578,161</u></b>	<b><u>3,938,642</u></b>	<b><u>2,902,685</u></b>	<b><u>2,343,538</u></b>
<b>EARNINGS PER STOCK UNIT - US cents</b>	<b>0.36</b>	<b>0.30</b>	<b>0.71</b>	<b>0.56</b>	<b>0.44</b>

# UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	Quarter ended September 2016	Quarter ended September 2015	Year ended September 2016	Year ended September 2015	Year ended March 2016
	US\$	US\$	US\$	US\$	US\$
<b>NET PROFIT</b>	2,796,601	2,034,533	5,348,931	3,842,593	4,283,243
<b>OTHER COMPREHENSIVE INCOME</b>					
Items that are or may be reclassified to profit or loss:					
Unrealised Gain/(loss) on available-for-sale investments	4,714,455	(6,932,075)	10,869,470	(7,978,945)	(8,601,327)
Foreign exchange translation reserve	<u>(488,283)</u>	<u>(549,353)</u>	<u>(1,644,709)</u>	<u>(1,130,577)</u>	<u>(2,306,088)</u>
<b>Total Comprehensive income</b>	<b><u>7,022,773</u></b>	<b><u>(5,446,895)</u></b>	<b><u>14,573,692</u></b>	<b><u>(5,266,929)</u></b>	<b><u>(6,624,172)</u></b>


# UN-AUDITED STATEMENT OF FINANCIAL POSITION

## FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	September 2016 <u>US\$</u>	September 2015 <u>US\$</u>	March 2016 <u>US\$</u>
<b>ASSETS</b>			
Cash and cash equivalents	11,577,782	9,157,572	12,825,709
Available-for-sale investments	281,886,025	310,839,491	285,011,918
Investment in Associates	-	1,033,476	-
Loans Receivable	32,305,915	28,299,829	23,552,353
Other Receivables	7,793,182	11,959,238	7,591,367
Property Development In Progress	632,970	1,498,603	722,925
Investment Property	6,315,667	400,166	4,812,108
Intangible Assets	19,434,387	21,439,124	19,862,369
Property, plant and equipment	<u>594,186</u>	<u>638,209</u>	<u>586,567</u>
<b>Total Assets</b>	<b><u>360,540,114</u></b>	<b><u>385,265,708</u></b>	<b><u>354,965,316</u></b>
<b>LIABILITIES</b>			
Client liabilities	151,433,953	176,142,250	164,482,867
Related company	5,328,337	2,935,296	921,005
Notes Payable	96,666,770	109,591,108	91,790,585
Preference shares	7,577,700	8,185,476	7,977,683
Other liabilities	<u>15,185,066</u>	<u>13,534,067</u>	<u>17,481,829</u>
<b>Total Liabilities</b>	<b><u>276,191,826</u></b>	<b><u>310,388,197</u></b>	<b><u>282,653,969</u></b>
<b>SHARE HOLDERS' EQUITY</b>			
Share capital	69,248,762	69,248,762	69,248,762
Investment revaluation reserve	(2,320,287)	(12,567,704)	(13,189,757)
Foreign exchange translation	(7,453,713)	(4,633,581)	(5,809,004)
Retained earnings	<u>11,299,002</u>	<u>10,855,860</u>	<u>9,399,347</u>
<b>Total Shareholder's Equity</b>	<b><u>70,773,764</u></b>	<b><u>62,903,337</u></b>	<b><u>59,649,348</u></b>
Minority Interest	<u>13,574,524</u>	<u>11,974,174</u>	<u>12,661,999</u>
<b>Total Shareholder's Equity and Liabilities</b>	<b><u>360,540,114</u></b>	<b><u>385,265,708</u></b>	<b><u>354,965,316</u></b>

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

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# UN-AUDITED STATEMENT OF CASH FLOWS

## FOR THE PERIOD ENDED SEPTEMBER 30, 2016

	6 months ended September 2016	6 months ended September 2015	Year ended March 2016
	US\$	US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net profit	3,938,642	2,902,686	2,343,538
Foreign Exchange Translation	(1,644,709)	(1,130,577)	(2,306,000)
Depreciation and Ammortization	643,472	164,392	1,896,828
Income Tax Charge	1,176,056	383,333	438,695
Operating cashflow before movements in working capital	<u>4,113,461</u>	<u>2,319,834</u>	<u>2,373,061</u>
Changes in operating assets and liabilities			
Receivables	(1,162,765)	4,232,161	8,034,963
Client Liabilities	11,778,874	(7,668,677)	33,752,542
Payables	(16,499,966)	(8,363,980)	(22,423,359)
Related company	4,407,333	2,703,388	689,098
Net cash provided by operating activities	<u>2,636,937</u>	<u>(6,777,274)</u>	<u>22,426,305</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Loans	(8,753,562)	(2,541,744)	2,205,728
Investments in subsidiary	-	(647,144)	-
Investments in associates	-	(87,292)	946,184
Purchase of property ,plant and equipment	(133,786)	(89,630)	582,009
Investments	1,652,744	(32,419,683)	(46,189,860)
Cash used in investing activities	<u>(7,234,604)</u>	<u>(35,785,493)</u>	<u>(42,455,939)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Notes payable	4,876,187	13,134,217	(4,666,305)
Issue of Preference Shares	(399,983)	(288,836)	(496,629)
Minority Interest	912,524	518,632	1,206,458
Dividend Paid	(2,038,987)	(1,819,754)	(3,364,260)
Issue of Ordinary Shares	-	29,268,359	29,268,359
Net cash provided by/ (used in) financing activities	<u>3,349,741</u>	<u>40,812,618</u>	<u>21,947,623</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,247,926)	(1,750,149)	1,917,989
Cash and cash equivalents at beginning of period	12,825,709	10,907,722	10,907,721
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>11,577,782</u>	<u>9,157,572</u>	<u>12,825,709</u>

# UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY

## SEPTEMBER 30, 2016


	<u>Share capital</u>	<u>Minority Interest</u>	<u>Fair value reserves</u>	<u>Foreign exchange translation</u>	<u>Retained earnings</u>	<u>Total</u>
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at April 1, 2016	69,248,761	12,661,999	(13,189,757)	(5,809,004)	9,399,347	72,311,347
Total Comprehensive Income for the period		1,410,289	10,869,470	(1,644,709)	3,938,642	14,573,692
Adjustment to NCI without a change in control		(150,000)				(150,000)
Dividends to equity holders		(347,764)			(2,038,987)	(2,386,751)
Balance at September 30, 2016	<u>69,248,761</u>	<u>13,574,524</u>	<u>(2,320,287)</u>	<u>(7,453,713)</u>	<u>11,299,002</u>	<u>84,348,288</u>

## SEPTEMBER 30, 2015

	<u>Share capital</u>	<u>Minority Interest</u>	<u>Fair value reserves</u>	<u>Foreign exchange translation</u>	<u>Retained earnings</u>	<u>Total</u>
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at April 1, 2015	39,980,403	11,455,542	(4,588,759)	(3,503,004)	10,420,069	53,764,251
Total Comprehensive Income for the period		939,909	(7,978,945)	(1,130,577)	2,902,685	(5,266,928)
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		(322,406)			(1,819,753)	(2,142,159)
Balance at September 30, 2015	<u>69,248,761</u>	<u>11,974,174</u>	<u>(12,567,704)</u>	<u>(4,633,581)</u>	<u>10,855,860</u>	<u>74,877,511</u>

# PROVEN

# REIT Real Estate Investment Trust

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# NOTES TO FINANCIAL STATEMENTS

## SEPTEMBER 2016

### 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.

Subsidiaries	Country of incorporation	Nature of Business	Percentage Ownership	
			2016	2015
PROVEN Wealth Limited	Jamaica	Fund management, investment advisory services, and money market and equity trading	100	100
PROVEN REIT Limited and its wholly owned subsidiary:	Saint Lucia	Real estate investment	100	100
PROVEN Kingsway Limited	Saint Lucia	Real estate investment	100	100
Asset Management Company Limited	Jamaica	Hire purchase financing	100	100
PROVEN Fund Managers Limited	Jamaica	Pension funds management	100	100
Access Financial Services Limited	Jamaica	Retail lending	49.72	49.72

### 2. Statement of Compliance and Basis of Preparation

#### **Interim Financial Reporting**

The condensed consolidated interim financial statements for the six months ended September 30, 2016 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, 2016 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, 2016.

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

## SEPTEMBER 2016 – Continued

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### **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**

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## 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

## SEPTEMBER 2016 – Continued

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### Significant Accounting Policies

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#### 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.

## Significant Accounting Policies Continued

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### 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.

### 9. 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\$3,938,642 by the weighted average number of ordinary stock units in issue during the reporting period numbering 551,595,777 shares.

# PROVEN

Listed on  
**The Jamaica Stock Exchange**

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