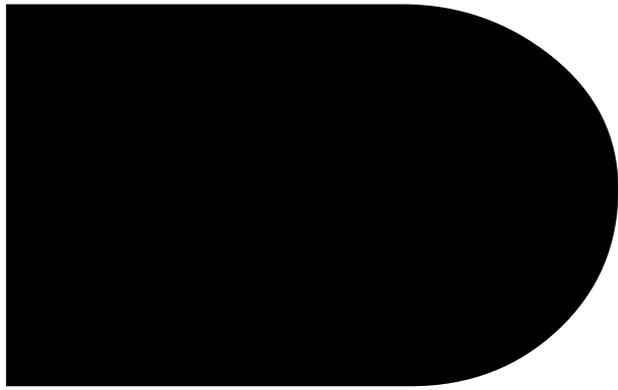


**THE INVESTMENT  
MAGAZINE**

by: PROVEN Investments Limited

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DECEMBER 2016 EDITION



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# UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 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 nine months ended December 31, 2016.

## FINANCIAL HIGHLIGHTS

<b>US\$4.76 million</b>	—	• Net Profit attributable to shareholders
<b>US\$0.86</b>	—	• Earnings Per Share
<b>US\$357.97 million</b>	—	• Consolidated Total Assets
<b>10.02%</b>	—	• Annualized Return on Equity
<b>59.10%</b>	—	• Efficiency Ratio
<b>US\$0.0015 per share</b>	—	• Proposed Dividend

## OPERATING ENVIRONMENT

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### INTERNATIONAL

In the financial markets the last quarter was largely framed by speculation ahead and after the US Presidential election on November 8<sup>th</sup> 2016. Much uncertainty and volatility surrounded the surprise victory by the Republican candidate, Mr. Donald Trump. Given that the US House of Representatives and the US Senate remained in Republican control, the financial markets concluded that the likely switch towards Mr. Trump's agenda of lower taxes, stronger investment spending and weaker regulations favored equity markets over debt markets and small caps over large caps.

Uncertainty also overshadowed other major bond markets as the UK government began to prepare for Brexit, the Italian government lost a constitutional referendum, France braced itself for a contentious Presidential election in 2017 and speculation spread over the potential foreign impact of President Trump's likely trade and defence policies. The negative tone to bond markets imparted by politics was amplified by the US Federal Open Market Committee which raised interest rates in December against the backdrop of continued strength in the US economy. Although this is a challenging time for fixed income markets in general, generally higher yields also mean that there is scope for decent returns where economic and earnings growth improves interest cover.

# UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

## REGIONAL

The economic performance and outlook in the Caribbean region is unusually divergent. Economic growth in the US has supported those countries in the region exposed to US tourism expenditure. The Dominican Republic and Panama are the regions strongest performers, likely to grow between 5-6% during 2016/17. Jamaica's economic growth is expected to accelerate to 2% in FY2017/18, up from 1.7% in FY2016/17, driven mainly by various reforms and initiatives in the energy, manufacturing, agriculture, and tourism sectors. Inflation is at all-time lows, and gross international reserves continue to increase, reaching almost US\$3 billion at the end of July. The unemployment rate however remains high, at 13.7%, partly reflecting an expansion in the labour force.

Guyana and St Kitts are also performing well, for largely domestic reasons – new gold mines in Guyana and a post-default revival of confidence in St. Kitts. There are gathering tourism-led recoveries in the Bahamas, Barbados and St. Luca, but high debt levels threaten to halt that in the near future. According to the Central Bank of Barbados, gross domestic government debt had already reached BBD6.85 billion in September 2016.

Arrears are further estimated by the IMF at roughly 11.4% of GDP – bringing total obligations to 168% of GDP the highest in the region and third highest in the world. Debt to GDP levels remain amongst the lowest in the region but the Trinidad and Tobago economy has had a torrid year following the weakness in energy prices, a reduction in the production of oil and gas and the granting of generous tax breaks in previous years. Weak commodity prices have also slowed down Suriname and Belize.

## **FINANCIAL PERFORMANCE**

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PROVEN Investments Limited experienced an improvement in the top-line of 41.2% for the nine months ended December 31, 2016, with Net Revenue increasing to US\$19.9 million versus US\$14.1 million earned during the same period last year. Net Profit attributable to shareholders for the nine months ended December 31, 2016 amounted to US\$4.8 million. This represents an increase of 123.1% from the US\$2.1 million earned in the same period last year, primarily as a result of a growth from the securities trading, fees and commissions.

# UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

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## 1. Tradeable Securities

Spread income was the major contributor to revenue during the period, performing consistently when compared with the same period last year, with Net interest income amounting to \$10.5 million compared to \$10.6 million in the nine months ending December 2015. Dividend income increased 8.7% to US\$1.1 million from US\$0.98 million for the prior period, due to the realignment of the investment portfolio during the nine month period.

Realized gains from the trading of securities for the period amounted to US\$2.2 million, compared to a loss of US\$1.7 million for the same period last year. Net foreign exchange gains increased by 58.1%, to US\$1.9 million from US\$1.2 million reported for the period ending December 2015, as a result of the 5.24% devaluation of the Jamaican Dollar versus the US Dollar during the nine 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 nine months, experiencing significant growth in Profit before taxation up to US\$3.2 million. This represents more than 100% increase compared to the same period last year. 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 11.72% contraction compared to the same period last year. Total Assets for the company as at December 31, 2016 stood at US\$166.8 million.

### **Proven Fund Managers Limited**

PROVEN Fund Management Limited continues to be a formidable player in the Asset and Pension Fund Management and administration business. During the quarter, the company launched its flagship Approved Retirement Scheme dubbed "PROVEN Rock", which offers a retirement solution for individuals who are not members of an approved Pension Plan. Profitability declined marginally

# UNAUDITED FINANCIAL STATEMENTS

## FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

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### Private Equity - Continued

year over year, as Profit before taxation for the 9-month period ended December 2016 was US\$0.57 million compared to US\$0.62 million the year before.

#### **ACCESS Financial Services Limited**

ACCESS Financial Services Limited contributed considerably to the results of the Group during the quarter, producing Profit before taxation of US\$4.18 million for the nine-month period ended December 31, 2016, representing a 49.02% increase in US dollar terms over the prior year results. The loan portfolio was US\$20.74 million as at December 31, 2016, representing a 12.52% increase compared to the same period last year.

#### **Bank of St. Lucia International Limited (BOSLIL)**

PROVEN Investments Limited entered into an agreement for Sale and Purchase of shares to acquire 100% of the common equity of Bank of St. Lucia International (BOSLIL) from Eastern Caribbean Financial Holding Company Limited. The acquisition of the shares is scheduled to be completed by the end of March 2017. BOSLIL has a strong team and an established track record in this sector. This acquisition will therefore provide a solid platform for further growth for PROVEN Investments Limited.

## 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 near completion on its second residential development in Jamaica on Sullivan Avenue, Kingston 8. The third development in the pipeline is on Millsborough Avenue in Kingston 6 and is expected to break ground by June 2017. The company also continues to closely monitor the local and international real estate markets for new opportunities.

## 4. Operating Expenses

For the nine-month period ending December 31, 2016, consolidated operating expenses increased by 15.2% to US\$11.8 million from US\$10.2 million in the prior year period. However, the Efficiency Ratio, including all income and expense items, decreased significantly to 59.1% compared to 72.5% for the same period last year. Expense management and consolidation have been the focus of management and we have achieved success in reducing our efficiency ratio closer to the established target of 50%.

# UNAUDITED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2016

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## 5. Net Profit

Net Profit attributable to shareholders totalled US\$4.76 million or 0.86 cents per share versus US\$2.13 million or 0.39 cents per share in the period ended December 2015. This represents an annualized Return on Equity of 10.02% for the nine-month period ending December 31, 2016.

## 6. Balance Sheet

Total assets amounted to US\$357.97 million as of December 31, 2016, down from US\$370.03 million as of December 31, 2015. Total liabilities decreased to US\$277.11 million as at December 31, 2016 from US\$299.96 million as of December 31, 2015, mainly as a result of the reduction in client's liabilities with Proven Wealth Limited to US\$151.90 from US\$177.09 in the same period of last year. Other liabilities also decreased to US\$14.39 million from US\$21.16 million for the same period last year.

## 7. Shareholder's Equity

Shareholder's Equity attributable to the owners of the company increased by 15.97% from US\$57.90 million as of September 2015 to US\$66.92 million as of December 31, 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\$0.0015 per share to all ordinary shareholders on record as February 23, 2017 and be paid on March 10, 2017. This will bring the total dividend for the financial year to date to US\$0.0069 per share, representing an annualized tax-free dividend yield of 4.89% based on the average share price of US\$0.188 for the nine months ended December 31, 2016.

PROVEN Investments Limited takes this opportunity to thank all of our stakeholders for their 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.

“The only source  
of knowledge  
is experience.”

Albert Einstein

**PROVEN**

**WEALTH**

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**Montego Bay Branch:**

Unit #11

Fairview II Shopping Centre

Tel: 876.908.3800-1

# 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.

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Director

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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**

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**FOR THE NINE MONTHS ENDED  
DECEMBER 31, 2016**

# UN-AUDITED STATEMENT OF INCOME

## FOR THE PERIOD ENDED DECEMBER 31, 2016

	Quarter ended December 2016	Quarter ended December 2015	9 months ended December 2016	9 months ended December 2015	Year ended March 2016
	US\$	US\$	US\$	US\$	US\$
<b>INCOME</b>					
Interest Income	6,128,070	6,902,665	18,725,367	20,240,564	26,469,156
Interest expense	<u>(2,698,067)</u>	<u>(3,342,320)</u>	<u>(8,218,163)</u>	<u>(9,604,824)</u>	<u>(12,835,027)</u>
Net Interest income	<u>3,430,003</u>	<u>3,560,345</u>	<u>10,507,204</u>	<u>10,635,740</u>	<u>13,634,128</u>
<b>Other income</b>					
Gains on securities trading	266,586	(1,981,828)	2,249,945	(1,732,402)	271,694
Dividend Income	344,047	272,330	1,069,882	983,881	1,323,305
Fees & Commissions	1,263,717	812,289	3,275,153	2,608,528	3,837,937
Foreign exchange translation gains/(losses)	(24,698)	169,532	1,852,590	1,171,493	1,512,553
Other Income	<u>349,723</u>	<u>98,544</u>	<u>942,368</u>	<u>421,934</u>	<u>576,726</u>
	<u>2,199,375</u>	<u>(629,133)</u>	<u>9,389,938</u>	<u>3,453,434</u>	<u>7,522,216</u>
<b>NET REVENUE</b>	<b>5,629,378</b>	<b>2,931,212</b>	<b>19,897,142</b>	<b>14,089,174</b>	<b>21,156,345</b>
<b>OPERATING EXPENSES</b>					
Preference dividend	87,860	(400,310)	1,051,711	271,491	331,112
Impairment of Investment	-	-	-	-	1,744,185
Administrative and General Expenses	<u>3,928,233</u>	<u>3,569,989</u>	<u>10,707,793</u>	<u>9,937,863</u>	<u>14,466,750</u>
	<b>4,016,093</b>	<b>3,169,679</b>	<b>11,759,505</b>	<b>10,209,354</b>	<b>16,542,047</b>
<b>OPERATING PROFIT</b>	<b>1,613,285</b>	<b>(238,467)</b>	<b>8,137,637</b>	<b>3,879,819</b>	<b>4,614,298</b>
Share of Results of Associates	-	-	-	107,640	107,640
<b>Profit before income tax</b>	<b>1,613,285</b>	<b>(238,467)</b>	<b>8,137,637</b>	<b>3,987,459</b>	<b>4,721,938</b>
<b>Income tax</b>	<b>(238,711)</b>	<b>(203,291)</b>	<b>(1,414,767)</b>	<b>(586,624)</b>	<b>(438,695)</b>
<b>NET PROFIT AFTER TAX</b>	<b>1,374,574</b>	<b>(441,758)</b>	<b>6,722,870</b>	<b>3,400,835</b>	<b>4,283,243</b>
Less income attributable to non-controlling interest	(554,426)	(328,516)	(1,964,715)	(1,268,424)	(1,939,705)
<b>Profit attributable to owners of the company</b>	<b>820,148</b>	<b>(770,274)</b>	<b>4,758,155</b>	<b>2,132,411</b>	<b>2,343,538</b>
EARNINGS PER STOCK UNIT - US cents	0.15	(0.15)	0.86	0.39	0.44

# UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE PERIOD ENDED DECEMBER 31, 2016

	Quarter ended December 2016	Quarter ended December 2015	9 months ended December 2016	9 months ended December 2015	Year ended March 2016
	US\$	US\$	US\$	US\$	US\$
<b>NET PROFIT</b>	1,374,574	(441,758)	6,722,870	3,400,835	4,283,243
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Items that are or may be reclassified to profit or loss:</b>					
Unrealised Gain/(loss) on available-for-sale investments	(3,167,319)	(2,878,935)	7,702,151	(10,857,880)	(8,601,327)
Foreign exchange translation reserve	(10,895)	(356,824)	(1,655,604)	(1,487,401)	(2,306,088)
<b>Total Comprehensive income</b>	<b>(1,803,640)</b>	<b>(3,677,517)</b>	<b>12,769,417</b>	<b>(8,944,446)</b>	<b>(6,624,172)</b>

# UN-AUDITED STATEMENT OF FINANCIAL POSITION

## FOR THE PERIOD ENDED DECEMBER 31, 2016

	<u>December 2016 US\$</u>	<u>December 2015 US\$</u>	<u>March 2016 US\$</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	7,540,563	7,290,356	12,825,709
Available-for-sale investments	276,416,072	301,529,851	285,011,918
Loans Receivable	35,808,159	25,881,324	23,552,353
Other Receivables	10,904,045	11,484,858	7,591,367
Property Development In Progress	1,211,252	1,442,291	722,925
Investment Property	6,315,523	395,740	4,812,108
Intangible Assets	19,167,774	21,432,965	19,862,369
Property, plant and equipment	606,157	569,720	586,567
<b>Total Assets</b>	<u>357,969,545</u>	<u>370,027,105</u>	<u>354,965,316</u>
<b><u>LIABILITIES</u></b>			
Client liabilities	151,899,174	177,089,600	164,482,867
Related company	3,555,052	10,568	921,005
Notes Payable	98,879,518	93,609,769	91,790,585
Preference shares	8,383,383	8,092,280	7,977,683
Other liabilities	14,394,930	21,156,293	17,481,829
<b>Total Liabilities</b>	<u>277,112,057</u>	<u>299,958,510</u>	<u>282,653,969</u>
<b><u>SHARE HOLDERS' EQUITY</u></b>			
Share capital	69,248,762	69,248,762	69,248,762
Investment revaluation reserve	(5,487,606)	(15,446,639)	(13,189,757)
Foreign exchange translation	(7,464,608)	(4,990,405)	(5,809,004)
Retained earnings	10,625,074	9,092,688	9,399,347
<b>Total Shareholder's Equity</b>	<u>66,921,622</u>	<u>57,904,406</u>	<u>59,649,348</u>
Minority Interest	<u>13,935,866</u>	<u>12,164,190</u>	<u>12,661,999</u>
<b>Total Shareholder's Equity and Liabilities</b>	<u>357,969,545</u>	<u>370,027,105</u>	<u>354,965,316</u>

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 DECEMBER 31, 2016

	9 Months ended December 2016	9 Months ended December 2015	Year ended March 2016
	US\$	US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net profit	4,758,154	2,132,411	2,343,538
Foreign Exchange Translation	(1,655,604)	(1,487,401)	(2,306,000)
Depreciation and Ammortization	981,013	147,147	1,896,828
Income Tax Charge	1,414,767	586,624	438,695
Operating cashflow before movements in working capital	<u>5,498,330</u>	<u>1,378,781</u>	<u>2,373,061</u>
Changes in operating assets and liabilities			
Receivables	(4,176,417)	5,141,847	8,034,963
Client Liabilities	12,063,469	16,871,920	33,752,542
Payables	(17,010,549)	(7,450,872)	(22,423,359)
Related company	<u>2,634,047</u>	<u>(221,340)</u>	<u>689,098</u>
Net cash provided by operating activities	<u>(991,120)</u>	<u>15,720,337</u>	<u>22,426,305</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Loans	(12,255,806)	(123,243)	2,205,728
Investments in subsidiary	-	(647,144)	-
Investments in associates	-	946,184	946,184
Purchase of property ,plant and equipment	(794,337)	58,576	582,009
Investments	<u>3,520,044</u>	<u>(43,507,274)</u>	<u>(46,189,860)</u>
Cash used in investing activities	<u>(9,530,099)</u>	<u>(43,272,901)</u>	<u>(42,455,939)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Notes payable	7,088,935	(2,847,122)	(4,666,305)
Issue of Preference Shares	405,700	(382,032)	(496,629)
Minority Interest	1,273,866	708,648	1,206,458
Dividend Paid	(3,532,427)	(2,812,653)	(3,364,260)
Issue of Ordinary Shares	-	<u>29,268,359</u>	<u>29,268,359</u>
Net cash provided by/ (used in) financing activities	<u>5,236,074</u>	<u>23,935,200</u>	<u>21,947,623</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,285,145)	(3,617,364)	1,917,989
Cash and cash equivalents at beginning of period	<u>12,825,709</u>	<u>10,907,721</u>	<u>10,907,721</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>7,540,563</u>	<u>7,290,356</u>	<u>12,825,709</u>

# UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY

## DECEMBER 31, 2016

	Share capital	Minority Interest	Fair value reserves	Foreign exchange translation	Retained earnings	Total
	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		1,964,716	7,702,151	(1,655,604)	4,758,154	12,769,417
Adjustment to NCI without a change in control		(150,000)				(150,000)
Dividends to equity holders		(540,849)			(3,532,427)	(4,073,276)
Balance at December 31, 2016	<u>69,248,761</u>	<u>13,935,866</u>	<u>(5,487,606)</u>	<u>(7,464,608)</u>	<u>10,625,074</u>	<u>80,857,488</u>

## DECEMBER 31, 2015

	Share capital	Minority Interest	Fair value reserves	Foreign exchange translation	Retained earnings	Total
	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		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)			(2,812,652)	(3,273,558)
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>9,092,688</u>	<u>70,068,596</u>

# PROVEN

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# NOTES TO FINANCIAL STATEMENTS

## DECEMBER 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 Management 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 nine months ended December 31, 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

## DECEMBER 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

## DECEMBER 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\$4,758,155 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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