

2022

ANNUAL REPORT

**PROVEN  
GROUP**





## CORE VALUES

**INTEGRITY**  
**TEAMWORK**  
**PERFORMANCE**  
**RESPECT**

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## VISION STATEMENT

**PROVEN is the  
Caribbean's Premier  
"Income and Growth  
Strategy" Investment  
Holding Company.**

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# MOVE WITH US, CAYMAN WE'RE NOW PROVEN

Your community banking and wealth management options now have backing and expertise from the PROVEN Group of companies. Join us in the transition as we rebrand over the coming months.

**PROVEN**  
BANK

## Fidelity Bank is now PROVEN Bank

PROVEN Bank keeps your life and money moving while maintaining all of the services you've come to rely on. Move With Us.

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[weareproven.com/move-with-us](https://weareproven.com/move-with-us)

**PROVEN Group:** Income and Growth Strategy Investment Holding Company Represented in Banking and Wealth | Real Estate | Portfolio Holdings

**PROVEN**  
WEALTH

## International Financial Planning (IFP) is now PROVEN Wealth

PROVEN Wealth supports your desired lifestyle and goals with solid investment options to grow your wealth. Move With Us, Grow With Us.

[move.provenwealth.com](https://move.provenwealth.com)

# Directors' Report

In an economic environment where few could have anticipated the extent of the pandemic; despite the uncertainty and challenges of the current economic environment where the COVID-19 pandemic continued to wreak havoc on lives and livelihood and geopolitical tensions and social unrest relating to the Russia-Ukraine war is threatening to disrupt global financial stability, PROVEN Group Limited ("the Company") rose to the challenge and successfully maneuvered the volatile economic terrain to deliver a solid performance and excellent financial results for its stakeholders.

The directors are pleased to present their Annual Report with the Consolidated Audited Financial Statements for the year ended March 31, 2022. In this year's Report we are highlighting many, though certainly not all, of the Company's accomplishments and activities for the financial year, as well as our strategic visioning for the future. With a strong capital position, we exited the year with on a positive momentum and maintain a confident outlook on our growth potential for the future.

## Financial Highlights:

	March 2022 US\$ '000	March 2021 US\$ '000	March 2020 US\$ '000	March 2019 US\$ '000
Operating revenue net of interest expense	36,791	23,267	56,841	32,879
Profit after Income tax and extraordinary Item	15,480	13,097	32,242	9,941
Profit attributable to equity holders of the parent after Income tax and extraordinary item	12,537	11,532	29,979	6,847
Shareholders equity	142,638	161,681	99,010	90,725

\*\*March 2020 includes extraordinary items

Details of these results along with a comparison of the previous years performance are set out in the Management Discussion and Analysis and the Financial Statements which are included as a part of the report.

## Auditors:

In accordance with Sections 106 and 108 of the Company's Articles of Association, a resolution proposing the appointment of the auditors and for the directors to fix the auditor's remuneration will be put to the Annual General Meeting.

## Directors:

The directors who served the Company since the last Annual General Meeting are:

Mr. Hugh Hart (Chairman)

Mr. Rhory McNamara (Company Secretary)

Mr. John Collins

Mr. Jeffrey Gellineau

Mr. Avinash Persaud

Mr. Garfield Sinclair

## Financial Highlights

March 2022 US\$ '000

# 36,791

Operating revenue net  
of interest expense

# 15,480

Profit after Income tax  
and extraordinary Item

# 12,537

Profit attributable to  
equity holders of the  
parent after Income tax  
and extraordinary item

# 142,638

Shareholders equity

During the year, Mr. Ivor Nassif ceased to be a Director upon the tendering of his letter of resignation having served the Company for over ten years. The Board places on record its appreciation for the valuable contributions made by Mr. Nassif in all areas of Board's functioning during his tenure as Nonexecutive Independent Director on the Board.

In February 2022, the Company welcomed three new independent directors in Mrs. Anya C. Chow Chung, LLB (Hons.), LEC, Ms. Neycha Soodeen and Dr. John-Paul Clarke, who brings to the Company diversity and a broad-based skills set that augurs well for the governance structure of the organisation. In the opinion of the Board, the Independent Directors also possess the attributes of integrity, expertise and experience as required for the effective management and discharge of the corporate responsibilities of the Company.

The governance framework facilitates a balance between the Board's role of providing direction and oversight with accountability to support acceptable risk parameters, consistent compliance with regulations, standards, and codes relevant to the Group. At the same time the Board encourages entrepreneurship and innovation, which are recognized as key drivers of Group performance. The board is confident that the current composition provides an effective balance of diverse perspective, skills and experience which will ensure the continued effectiveness of the board's performance in its role. Each director has served impeccably and has outlined their commitment to continue to serve for the next financial year.

We are proud of the Company's unwavering response to these difficult times. Our clients have continued to experience the same high-quality, professional service that has characterized our Company. We are grateful for the oversight provided by the Company's management and proud of the efforts of our people, many of whom continued to work virtually, to meet the Company's strategic deliverables. PROVEN's excellent results in 2022 have been reached because of the dedication and commitment of our management and team members across all portfolio companies.

We use this opportunity to thank all our stakeholders for their continued support, especially our shareholders, clients, partners, and the communities in which we operate as we work together for the continued success of the Company.

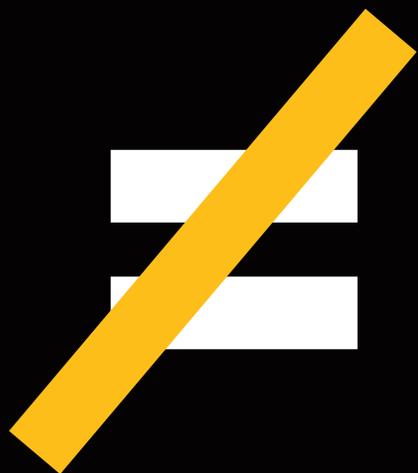
By order of the Board

Dated this August 5<sup>th</sup>, 2022



**Rhory McNamara**

Deputy Chairman & Company Secretary



NOT ALL  
**FUND MANAGERS**  
ARE **EQUAL**



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WEALTH

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## PROPOSED ORGANISATIONAL STRUCTURE

**PROVEN Operating Entities****PROVEN Group Limited**

(previously PROVEN Investments Limited). Domiciled in St. Lucia

**PROVEN Bank Holdings Limited (PBH)**

100% Owned.  
Domiciled in Cayman Islands

**PROVEN Bank (Cayman) Limited**  
(previously Fidelity Bank Cayman Limited)  
100% Owned. Domiciled in Cayman Islands

**Bosilil Bank Limited**  
100% Owned. Domiciled in St. Lucia

**PROVEN Investment Holdings Limited (PIHL)**

100% Owned.  
Domiciled in St. Lucia

**PROVEN Wealth Limited**  
100% Owned. Domiciled in Jamaica

**PROVEN Wealth (Cayman) Limited**  
(previously IFP Cayman Limited)  
100% Owned. Domiciled in Cayman

**IFP Bermuda Limited**  
100% Owned. Domiciled in Bermuda

**IFP BVI Limited**  
100% Owned. Domiciled in BVI

**Heritage Educational Funds International Inc.**  
100% Owned. Domiciled in Canada

**Roberts Manufacturing Company Limited**  
50.5% Owned. Domiciled in Barbados

**Access Financial Services Limited**  
24.72% Owned. Domiciled in Jamaica

**PROVEN Holdings Limited**  
100% Owned. Domiciled in St. Lucia

**PROVEN Properties Limited**  
(previously REAL Properties Limited)  
100% Owned. Domiciled in St. Lucia

**PROVEN REIT Limited (PREIT)**  
100% Owned. Domiciled in Jamaica

**PROVEN Holdings Limited (PHL)**  
100% Owned. Domiciled in St. Lucia

**Asset Management Company Limited & International Financial Planning Jamaica Ltd.**  
100% Owned. Domiciled in Jamaica (Dormant)

**JMMB Group Limited (holding Company for JMMB subs)**

20.01% Owned.  
Domiciled in Jamaica

**PROVEN  
GROUP****PROVEN  
WEALTH****PROVEN  
BANK****PROVEN  
PROPERTIES**

# Company Profile

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We Are **PROVEN** | Move With Us, Grow With Us

PROVEN Investments Limited is Now **PROVEN Group Limited**

# PROVEN GROUP

Subsequent to the Financial Year End of March 31, 2022, the Board of Directors on June 24, 2022 passed a Resolution to change the name of PROVEN Investments Limited (PIL) to **PROVEN Group Limited (PROVEN/PGL)** with an effective date of July 7, 2022. As such hereinafter in this Annual Report, the Company will be referred to as **PROVEN Group Limited (PROVEN/PGL)** as far as possible.

**PROVEN's** vision of being the Caribbean's premium Private Equity firm saw a pivot away from primarily investing in high quality marketable securities to truly becoming a Private Equity player. In Financial Year 2021 this led to a business refinement wherein **PROVEN** critically reassessed its corporate strategy in accordance with Future Proofing and Business as Usual Transformation mandates. The process led to a leveraging of the **PROVEN** brand equity and Investment Banking DNA to increase its foothold in desirable business pools throughout the region.

In the end the strategic business focus was more defined as **PROVEN** positioned its business portfolio investments in discrete pillars of operations to mitigate against future downsize risks and to take advantage of anticipated economic recovery. This meant the continued positioning of the three discrete pillars of operation - **1 Banking & Wealth; 2 Real Estate** and **3 Portfolio Holdings**.

## 1. BANKING & WEALTH PILLAR



**Johann Heaven**  
Head of Banking & Wealth  
President & CEO  
PROVEN Wealth Limited

The PROVEN Banking & Wealth Pillar has been formed within the PROVEN Group as a core business segment and represents a structured combination of the businesses that have been acquired over the years within the Financial Services Sector. These acquisitions have aligned to our strategic growth and vision and have successfully transitioned through the phases of the Life Cycle of Mergers & Acquisitions and to-date span across the region as:

- **PROVEN Bank** - International Corporate and Consumer Banking Solutions through:
  - **PROVEN Bank (Cayman) Limited** - formerly Fidelity Bank (Cayman) Limited
  - **Boslil Bank Limited** - to be renamed PROVEN Bank (Saint Lucia) Limited with offices in Panama and Uruguay
- **PROVEN Wealth** - Wealth & Investment Management Solutions through:
  - **PROVEN Wealth Limited - Jamaica**
  - **PROVEN Wealth (Cayman) Limited** (formerly International Financial Planning Limited (IFP)) with locations and subsidiaries in Cayman, British Virgin Islands and Bermuda.
  - **Heritage Education Funds International Inc.** with locations in Jamaica, Bermuda, British Virgin Islands and Bahamas.

### **PROVEN Wealth Limited (PWL)**

With a disciplined and experienced team of experts, PROVEN Wealth for more than 20 years is a leading integrated wealth, asset, and fund management company, that has managed our clients' wealth and served them as trusted, truly personal and holistic advisors, with operations in Jamaica, Cayman, Bermuda, British Virgin Islands and Bahamas.

The recent acquisition of Heritage Education Funds International and the recent rebranding of International Financial Planning (Cayman) Limited (IFP) to PROVEN Wealth (Cayman), has further reaffirmed our position as a regional wealth management business.

We know the value of long-term relationships, and the challenges and opportunities of growing wealth, protecting it, and passing it on. In all we do, we are fueled by our purpose to serve our clients as The Caribbean's Premier Wealth Management firm.

Our client-centric and technology driven approach, our objective financial-advice ethos, our solid capital base, and our entrepreneurial management culture make us the Caribbean reference in wealth management.

With a scalable business model built on PROVEN infrastructure to drive future earnings; PROVEN Wealth has leveraged the Asset Management competence of the Group for greater synergies and efficiency for the value of all stakeholders.



**Simona Watkis (Ms.)**  
President & CEO  
PROVEN Wealth (Cayman) Limited

**Focus and Commitment** - PROVEN Wealth will continue to retain and deliver on its brand promise of offering the best advice for its clients as well as being one of the leading on and offshore financial operations with an excellent corporate reputation. Our strategy is built on three principles: delivering a best-in-class experience to our clients, being the most admired and respected firm in our region and pursuing sustainable, profitable growth.

We help our clients to achieve their financial aspirations through holistic solutions that considers what truly matters to them - in their business and personal life, today and for future generations.

We stand for solid foundations, pure wealth management, personal connections, and an international network.

These are deliberately earmarked as strategic enablers as we contend to realize and secure advantages from shifts and opportunities in the environment. We are aggressive about being successful for our stakeholders and making PROVEN Wealth the investor of choice.

# GET MOBILE ACCESS

## TO YOUR ACCOUNTS

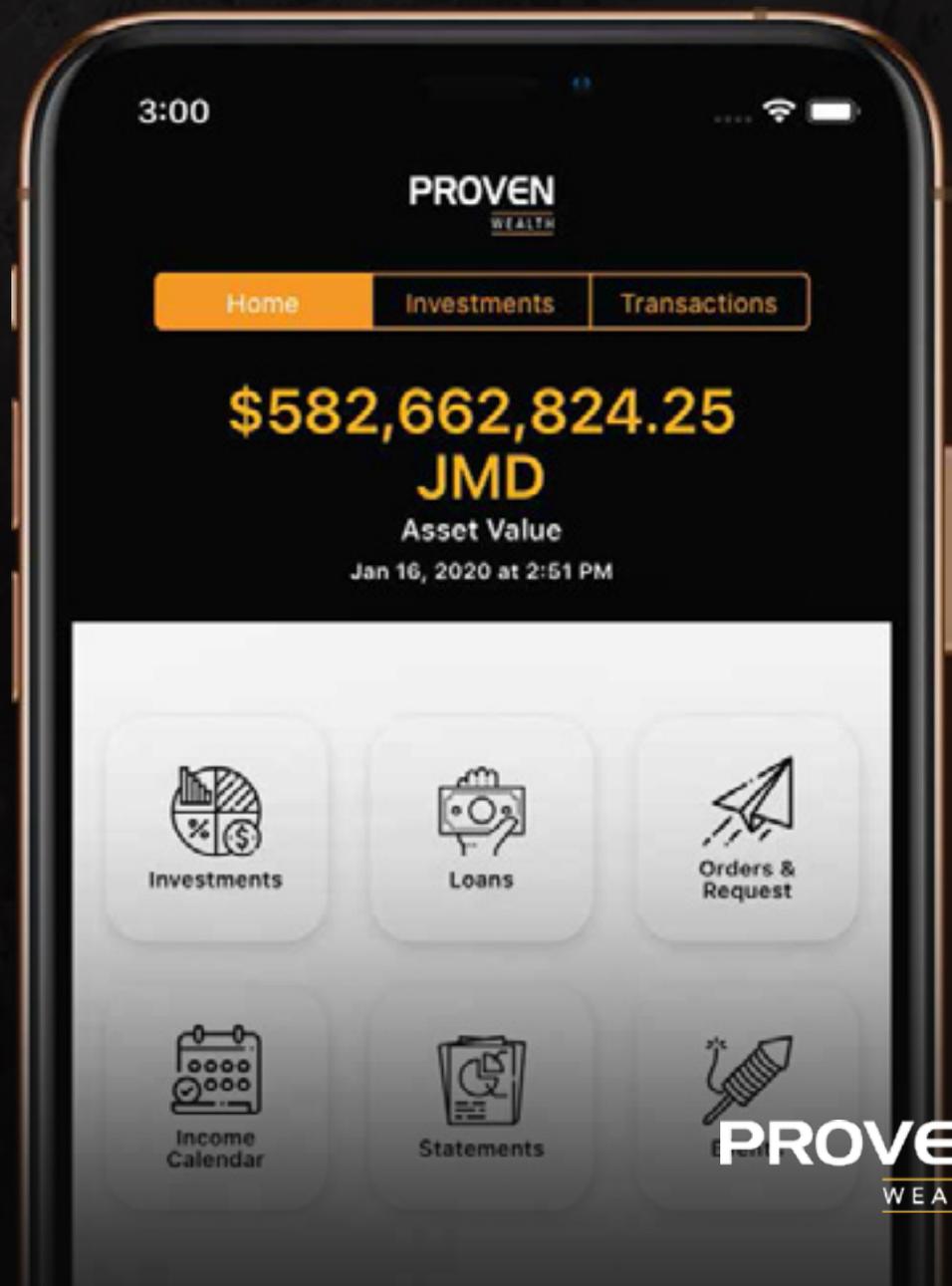
- E-STATEMENT
- PORTFOLIO MANAGEMENT
- ORDERS & REQUEST
- TRANSACTION HISTORY

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### **PROVEN Bank Limited**

This period in PROVEN Group's history is significant as it continues to position itself for greater organisational health and efficiency and a fundamental action in enabling this coming from the acquisition of the Fidelity Bank (Cayman) Limited (now PROVEN Bank (Cayman) Limited); saw the restructuring of the Group to include the creation of a bank holding company, PROVEN Bank Holdings Limited ("PBHL"). In further streamlining the arrangement, PROVEN Bank (Cayman) will acquire Boslil Bank Limited ("Boslil") and this consolidated entity will become a direct subsidiary of PBHL.



**Benjamin Freeman**  
President & CEO  
PROVEN Bank Limited

**PROVEN Bank (Cayman) Limited** - is a Class A retail bank providing a limited range of domestic and international banking services in the Cayman Islands. Originally founded in 1980 as First Home Savings & Loan by British American Insurance, it was bought out by management in 1992 and was rebranded as Fidelity in 2004. In February this year the PROVEN Group completed an acquisition of the bank's activities whereupon it became a fully owned member of the PROVEN Group.

The Bank is incorporated in, operates within and serves clients based in the Cayman Islands, and is licensed and regulated by the Cayman Islands Monetary Authority ("CIMA"). The bank operates the following lines of service to deliver its range of

products and services to clients based both in the islands and internationally:

- Bank accounts & term deposits in various currencies
- Online banking
- Payment services (domestic & international)
- Secured lending backed by residential and commercial property
- Secured and unsecured consumer lending products
- A full suite of card industry services in both the issuing and acquiring arenas

**Focus and Commitment** - The Bank provides its clients a range of domestic and international banking and envisions itself as a market differentiator in relation to its level of customer service. Through service standards we aspire to be the pre-eminent "community" bank. We seek to develop deeper and stronger relationships with our customers in comparison with our local competitors.

We have implemented a strategy to transform the business into a sales-focused organisation, and the roots of this can be seen in the growth so far in our loan portfolio. The internal structure has been realigned to support this culture. Also in progress is the restructuring of our Cards business with the revisiting of the issuing structure, and a new suite of services on the acquiring side having been launched which will boost our non-interest income.

**Boslil Bank Limited** (Boslil) - With a keen understanding of international payments, Boslil Bank Limited caters to clients' international banking needs and is positioned in the top 3 banks in St. Lucia. Boslil is regulated by the Financial Services Regulatory Commission of Saint Lucia and conducts its business in accordance with internationally recognized principles of banking with correspondent banking relationships and financial/investment relationships with some of the safest and most reputable banks in the world. Therefore, the integrity of Boslil is well respected and maintained.

Operating in St. Lucia with offices in Panama and Uruguay; Boslil has an experienced and knowledgeable team armed with the right skillsets to serve clients with banking services needs in: Business Banking; Corporations; Trust & Foundation as well as Personal Banking.

Key products and services are:

Demand and Term Deposits; Multi-currency accounts (14 operational currencies); Transactional banking services for international banking, including active trading and holding companies; Forex Exchange Services; Standing Order Payments; Credit Cards; Back-to-Back Loans; Business Term Loans; Online Banking; Personalized Service; Multilingual - English, Spanish and Portuguese; Formation of International Business Companies.

**Focus and Commitment** - As we continue to maintain our presence as your International Bank of Choice and to always deliver International Banking through Personalized Service & Global Reach; we remain committed to providing a superior and relevant client experience which will result in your receiving: Dedicated Client Service and Support; Robust Banking Platform; and continued improvement by exploring new ways to expand our customer service and become more efficient and effective through technological improvements.

## 2. REAL ESTATE PILLAR



**Aisha Campbell**  
Chief Executive Officer  
PROVEN Properties Limited

**PROVEN Properties** (formerly PROVEN REIT) - a wholly owned real estate investment and development subsidiary of PROVEN Group Limited focusing on residential and commercial real estate in the Caribbean. The company's accomplishments thus far are well known, and we have steadfastly built a solid reputation of successful execution of several iconic and highly sought-after residential developments in Jamaica and in the Cayman Islands. As a premier Caribbean real estate investment and development company, one of our strategic priorities is a geographically diverse portfolio of prime real estate assets under management comprising residential, commercial, and industrial development projects that yield attractive returns for our investor partners and shareholders. The company is poised for continued growth, led by innovative executive management and a team of trusted financial, marketing, and development management experts.

**Focus and Commitment** - The business of real estate investment and development can be risky, but in the midst of volatility, great opportunities abound for those who are resilient and ready to tackle the various challenges that may arise. PROVEN PROPERTIES is uniquely positioned to take advantage of these opportunities by deploying creative deal structures and capitalizing on targeted marketing tactics that are aligned with the company's philosophy of value creation and sound corporate governance. We are focused on sustainable and aggressive growth of the company's real estate portfolio by strategically investing in real estate opportunities that will align with the way people will live, work and use real estate in the future.

The company has a strong deal pipeline in Jamaica and the wider Caribbean. We will thrive by continuing to leverage technology, capitalize on mutually beneficial partnerships, effectively allocate capital and leverage our internal strengths to optimize operational efficiency, and achieve execution excellence.

## 3. PORTFOLIO HOLDING PILLAR



**Nerisha Farquharson**  
Vice President  
Private Equity and Treasury  
PROVEN Group Limited



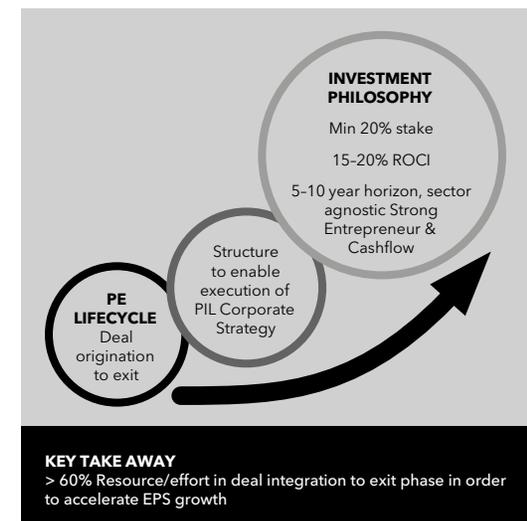
This Pillar comprises the portfolio of all other assets not included in the Banking and Wealth and Real estate segments. This will include investments in associated companies whether financial or real sector, majority-owned investments in real sector companies, or any other opportunistic investments.

PGL targets the deployment of up to 40% of Capital into this Pillar with a typical holding period of 5-10 years and seeks to execute its core private equity strategy through the investments made in this Pillar. The goal is to take each investment through the private equity life cycle with the ultimate objective of harvesting and extracting value.

**Focus and Commitment** - The investment philosophy strives to make investments that are in future-proof industries or possess

forward-looking catalysts and have an addressable market that enables the Company to channel an impact or ESG Lens as we seek to invest responsibly and sustainably. While control at the Board level is not always desired, a strong, result-orientated entrepreneur or management team is critical to support the value creation framework. The objective is to work with portfolio companies through strategic guidance to develop and execute its road map, resource the plan and transform mindset and culture to embrace diversity, inclusion, and performance/ result orientation. We view this as a repeatable process aimed at generating the desired Return on capital and cashflows and a solid platform that will be attractive for new investors at the exit.

We understand that identifying solid companies and completing the transaction due diligence and transition of ownership is only the first step. Therefore our focus and commitment are to guide the strategic direction of our Portfolio Companies to foster a sustainable and resilient approach towards creating and extracting value for our shareholders and other key stakeholders.



# The Path to **SUCCESS** starts with an **EDUCATION SAVINGS PLAN**

Almost  
**40 YEARS**  
of experience

Over  
**US\$146 M**  
In assets under management<sup>1</sup>

Over  
**US\$208 M**  
In payouts<sup>2</sup>

## CONTACT US TODAY

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15 Hope Rd, Kingston

☎️ (876) 968-1601

<sup>1</sup> As at December 31, 2020. <sup>2</sup> These payouts consist of subscribers' contributions (less applicable fees). Educational Assistance Payments/Scholarships (EAPs) consist of the beneficiary's share of pooled income or self-determined income, and top ups of the EAPs. A top up of the EAP is a discretionary payment. Discretionary payments are not guaranteed. The Foundation decides if it will make a payment in any year and how much the payment will be.

<sup>3</sup> Educational Assistance Payment is calculated based on payments to students who received all three EAPs (2019-2021). Past performance is not indicative of future returns.



**Jason Sambrano**  
Managing Director

### **Roberts Manufacturing Co. Limited**

- Nourishing Lives Every Day

Roberts Manufacturing Co. Limited operates from a 21-acre complex at Lower Estate, St. Michael in Barbados producing animal feed, shortening, margarine, and cooking oil products. These products are sold in 15 countries and counting across the Caribbean.

In 1937 the company began in the backyard of the house of its namesake, Mr. J. C. Roberts, who formulated dishwashing soap as his first product then later found interest in margarine. Mr. Roberts' efforts and entrepreneurial spirit attracted the attention of Sir Kenneth R Hunte and on March 24, 1944, Roberts Manufacturing

Co. Limited was formed. The company has grown over the years, with a current staff compliment of 200 team members, a product portfolio that is traded regionally and internationally and achieved internationally recognized quality certification.

**Focus and Commitment** - The company is committed to maintaining the high quality that its portfolio of products has become known for over the last 78 years but recognizes that we cannot rest on our laurels. We have embarked on a capital investment program to help drive efficiencies in our various plants, widen the scope of our research and development in terms of our existing portfolio and looking at new product segments with the aim of remaining relevant to the modern consumer, continuing to invest in our team members to ensure the sustainability of our business and building a more robust supply chain to maintain reliability of supply given the disruptions caused by COVID-19 and the war in Ukraine.

These areas of focus will strengthen our foundation and ensure that we are firmly set to accomplish our goal of increasing our revenue generating capacity through:

1. Extending our reach in the export market
2. Improving profitability by driving efficiencies in our plant operations
3. Building resilience into our supply chain management to support our growth agenda.

We are optimistic about the future potential of the business and the value it can deliver for our stakeholders, and we are committed to achieving that potential in a responsible manner that embraces our corporate social responsibility, always mindful about how our actions affect people and the planet and is in alignment with our purpose.



**Frederick Williams**  
Chief Executive Officer

### **Access Financial Services Limited**

Access Financial Services Limited ("AFS" or "Access") - was established in 2000 and was the first company to be listed on the Junior Market of the Jamaica Stock Exchange in 2009. Access is one of the leading providers of personal and business loans to Jamaica's microfinance sector. Access operates through an island-wide network of seventeen (17) branches. On December 15, 2018, AFS acquired a 100% shareholding in its subsidiary, Embassy Loans Inc. ("Embassy Loans") located in Florida, USA. Headquartered in Cooper City, Florida, Embassy Loans is a

leading provider of auto title loans since 2005 and they are a licensed consumer finance company. For more information, please visit [www.accessfinanceonline.com](http://www.accessfinanceonline.com) and [www.embassyloans.com](http://www.embassyloans.com)

**Focus and Commitment:** - We have long established that the success of our company is inherently tied to the success of our customers. Therefore, guided by our Mission and our Customer First core value, we remain focused on providing affordable products and services, and building strong relationships with our customers. This is even more critical as we approach the implementation of the Microcredit Act 2021 in Jamaica, which has as its core tenet, greater transparency and consumer protection in the microfinance sector.

Our focus and commitment, therefore, will see us driving for the greater use of technology for financial inclusion by providing safe alternate online solutions to facilitate remote loan processing and disbursement. We are also cognizant of the change in customer financial needs and flexibility, and will respond accordingly with solutions such as product enhancements, reduced pricing, and flexible payment terms. We are also focused on improving our framework for corporate governance and risk management to meet the requirements in a regulated environment.

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*Live Life like a Vacation*



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**PROVEN**  
PROPERTIES

# Notice of Annual General Meeting

NOTICE is hereby given that an Annual General Meeting of Proven Group Limited will be held at the Cnr. Flamboyant Drive & Almond Road, Rodney Bay, Gros Islet, St. Lucia, on September 22, 2022 at 11:00 a.m. to consider and, if thought fit, pass the following resolutions:

**1. To receive the Audited Group Accounts for the year ended 31 March 2022 and the Reports of the Directors and Auditors circulated herewith**

**Resolution No. 1**

"THAT the Audited Group Accounts for the year ended 31 March 2022 and the Reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

**2. To ratify interim dividends and declare them final**

**Resolution No. 2**

"THAT the interim dividends paid on 9 July 2021, 10 September 2021, 9 December 2021 and 9 March 2022, be and they are hereby declared as final and no further dividend be paid in respect of the year under review."

**3. To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors**

**Resolution No. 3**

"THAT KPMG, with offices in St. Lucia, having agreed to continue in office as Auditors for the Company, be hereby appointed to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."

**4. To fix the remuneration of the Directors**

**Resolution No. 4**

"THAT the amount shown in the Accounts of the Company for the year ended 31 March 2022 as remuneration of the Directors for their services as Directors be and is hereby approved."

Dated the 5<sup>th</sup> day of, August 2022

By Order of the Board



**Rhory McNamara**

Deputy Chairman & Company Secretary.

**NB:**

Members are reminded of the provisions of Regulations 37-38 of the Articles of Association of the Company, which provide as follows:

37. A member may be represented at a meeting of members by a proxy who may speak and vote on behalf of the member.
38. The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. A corporation may execute a form of proxy under the hand of a duly authorised officer of such corporation.

The instrument appointing a Proxy must be in writing and a Proxy Form is attached for your convenience.



# MOVE WITH US, GROW WITH US

International Financial Planning (IFP) is now **PROVEN Wealth**

The PROVEN Wealth brand has a 20-year legacy of managing billions of dollars of assets on behalf of institutional and individual clients. Invest to suit your lifestyle and goals to retire comfortably, save for education and optimally manage your wealth and investment portfolio.

Learn how you can make a PROVEN difference for your future.

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**PROVEN**  
**WEALTH**

**PROVEN Group:** Income and Growth Strategy Investment Holding Company Represented in Banking and Wealth | Real Estate | Portfolio Holdings

# Chairman's Report

In 2022, Resilience is not a simple buzz word, but continues to be the order of the day as we face periods of uncertainty and risks in managing our business and strategic pursuits for performance success. For us at PROVEN we continue to build resilience in the face of an unknown future as this is one sure way of modelling a framework for sustainable value creation and growth in all our business segments.

Periods in time can be categorized by world changing occasions and so far in the Financial Year 2022, we can all agree that we have witnessed instances of cataclysmic events that brought on tremendous pressures and changes for businesses and individuals alike. We need only glimpse back to the pressures of the covid-19 pandemic which were extraordinary but served as a catalyst for change in how we -serve; optimized our systems and platforms; strengthened our people and structure; all to realize business effectiveness and organisational health.

Our priorities deepened to embrace purpose and talent as we faced geopolitical risks and other shocks not limited to continued healthcare, climate, and a World Bank Outlook of global slowdown in growth which posits inflation and instability making it challenging for advanced economies and worst for developing countries. However strange and strong benefits can be derived even in the face of adversity. And here I pause to acknowledge and thank the management and leadership of our PROVEN Team, as we were successful in not only delivering strong business results but maintaining a dedicated and focused talent who battened down to manage and navigate the storms of uncertainty as they kept their eyes on the prize to deliver on the goals with little or no disruption to our business. This resulted in our:

## 1. Finalizing 3 deals -

- Roberts Manufacturing Company Limited
- Heritage Education Fund International
- Fidelity Bank (Cayman) Limited - now PROVEN Bank (Cayman) Limited

## 2. Buildout of a Resilience Framework

- for continued robust Governance with the appointment of 3 new Independent Directors who are stoutly equipped with skillsets to help to maneuver us towards our Vision

## 3. Focused business alignment

- In the 3 Pillars for our operations - **Banking and Wealth, Real Estate and Portfolio Holding**; positioning for greater uniformity, brand alignment and fit for the future.

Fellow Shareholders, continuous overlapping crisis and their effects dictate that as a prudent and proactive business, PROVEN must think ahead and act in building and leading with resilience to not only withstand shocks, but bounce back better whilst driving and delivering sustainable growth while being poised and ready to embrace and secure opportunities.

Our Private Equity strategy has shifted gears to focus more on our core businesses across our enterprise, looking at integration and transitions for:

- Greater efficiency & Effectiveness
- Better use of technology
- Enriching the employee experience

Your Board has been fully engaged and supportive in the development and fulfillment of this strategy. We continue to see the benefits of our Core Value and Purpose being characterized in our performance outcomes.

On behalf of the Board, I would like to thank our management and team for their collaboration and hard work building on our great foundation; and to you - our shareholders, THANK YOU for the trust and confidence you have shown in PROVEN and our future - continue to Move with Us, Grow with Us.

These times will continue to be defining and I encourage us all to remain focused and positive to find the path for sustained economic development leading to robust quality of life for us all.



**Dr. The Hon. Hugh Hart,**  
**O.J., LLD (Hon), MA (Oxon.)**  
Chairman

# Business Performance Snapshot



Total Assets surpassed  
**US\$1B**

**55%**

increase in  
**Core Earnings**  
compared to last year

## Growth in Net Profit Attributable to shareholders

9% increase YOY  
Steady NETPAT growth despite adverse market conditions



## Strong Real Estate Pipeline which includes

- four (4) rental income properties and
- ten (10) development sales projects (residential and commercial)
- and completion of 2 major projects in a pandemic



## 3 Deal Finalizations/ New Acquisitions

Successful completion of three (3) acquisitions valued at circa US\$60m  
**Fidelity Bank (Cayman) now PROVEN Bank (Cayman); Roberts Manufacturing Company Limited, Heritage Education Fund International.**

**STRONG GROWTH**

in **Off Balance Sheet** funds under Management

- **US\$785 million** Combined off balance sheet



**3.4%**  
**Dividend Yield**

Delivering on our Cashflow promise, dividend yield increased by 30% to 3.4%

## Operational & Efficiency accomplishments

- via Digital Transformation and Implementation of shared services model

Leveraging the common resources across the organisation for

- Greater efficiency
- Improved customer experience
- Better use of technology
- Enriching the employee experience

## Public Investment Grade

**BBB**

CariCRIS Ratings

# Directors' Profiles



**DR. THE HON. HUGH HART,  
O.J., LL.D (Hon), MA (Oxon.)**  
CHAIRMAN

Founding Partner, Hart Muirhead Fatta

Admitted to the Bar at Grays Inn, England in 1953 and as a Solicitor in Jamaica in April 1956, Dr. Hart is a former senior partner and consultant with Clinton Hart & Co. He practises commercial law at Hart Muirhead Fatta, specialising in taxation, real estate development, mining and corporate restructuring. He served as a member of the Jamaican Senate from 1980-1993, as Minister of Mining & Energy from 1983-1989 and as Minister of Tourism from 1984-1989. Due to his outstanding contributions to the legal profession and the bauxite and mining sectors, Dr. Hart was awarded the Order of Jamaica in 2011. In 2015, he was conferred by the University of the West Indies with the Honorary Degree of Doctor of Laws (LL.D), for his stellar contribution to Caribbean development.

Length of Directorship: **12 years**



**RHORY MCNAMARA**  
DEPUTY CHAIRMAN, DIRECTOR  
& COMPANY SECRETARY

Managing Director, McNamara  
Corporate Services Inc.

A UK-trained and qualified barrister who attended Bristol University and obtained an honours degree in law, followed by the successful completion of the bar exams at the Inns of Court School of Law in London, Mr. McNamara practised as an attorney at the family law firm of McNamara & Co. in Saint Lucia from 2000-2015 whereupon he set up and continues to practise as an attorney at RDM Chambers. His practice areas include corporate law and corporate/private conveyancing. He also is the managing director of McNamara Corporate Services Inc. a full service and licensed corporate / secretarial service provider in Saint Lucia. He presently represents on the board of several prominent private & public companies both in St. Lucia and abroad, has been the president of the St. Lucia Association for Persons with Developmental Disabilities since 2003 and in 2021 was appointed honorary consul for the Kingdom of the Netherlands in St. Lucia.

Length of Directorship: **12 years**



**AVINASH PERSAUD**  
DIRECTOR

Chairman, Elara Capital PLC and  
Intelligence Capital Limited

An Emeritus Professor of Gresham College in London and a non-executive director for several companies with services in banking, insurance, education and the media, Mr. Persaud has expansive experience across companies such as J. P. Morgan, UBS, State Street and GAM London. He is ranked by experts as one of the top three public intellectuals in the world on the financial crisis and is a recipient of the Jacques de Larosiere Award in Global Finance from the Institute of International Finance.

Length of Directorship: **5 years 8 Months**



**JOHN A. COLLINS**  
DIRECTOR

Fellow, Chartered Institute of Bankers

Mr. Collins has accomplished a distinguished career in Trust Banking, spanning over 40 years. He served in senior positions in Trust companies in England, Kenya and Jamaica, before moving to Cayman in 1966 to open and manage the Bank of Nova Scotia Trust Company (Cayman) Limited. In 1973, he moved to Ansbacher (Cayman) Limited where he retired as the Executive Director in 1995 but continued as a non-Executive Director until October 2000. Since then, he has acted as consultant and director to a private group of Trusts and Companies and is proud to be an appointed Member of the Most Excellent Order of the British Empire in Her Majesty the Queen's New Year's Honour Listing 1986. He is a Notary Public in and for the Cayman Islands.

Length of Directorship: **10 years**



**JEFFREY GELLINEAU**  
DIRECTOR

Member, Institute of Chartered Accountants of Barbados

Member of the Barbados Revenue Appeals Tribunal.

Mr. Gellineau has over 28 years of extensive audit experience at KPMG, Barbados as an engagement partner in managing and providing audit and other advisory services to regional and international clients. He also served as the project coordinator for a World Bank-funded project, "Strengthening Institutional Capacity for Project Implementation", during the period January 2009 to November 2010, which addressed Capacity Building for Financial Management and Procurement for Capital Projects in the OECS Countries.

Length of Directorship: **9 years**



**GARFIELD SINCLAIR**  
CO-FOUNDER & DIRECTOR

Retired CEO Bahamas Telecommunications Company (BTC), Vice President Northern Caribbean (Anguilla, Antigua, Bahamas, British Virgin Islands, Cayman, Montserrat, St Kitts & Nevis, Turks & Caicos Islands,), President of the Caribbean for Cable & Wireless Communications (CWC) and CEO Cable & Wireless Jamaica (CWJ)

Mr. Sinclair is the former CEO of BTC, CWJ and President of the Caribbean for CWC where he had ownership of 14 Caribbean P&L's, ensuring business performance and exceeding the expectations of the stakeholders in the form of the Customers, Employees, Executive & Non-Exec Board, Shareholders & Bond Holders. He was also President & Chief Operating Officer of Dehring, Bunting & Golding Limited (DB&G) where he held responsibility for the overall performance of the operations, treasury and asset trading, brokerage, marketing and information technology units. Mr. Sinclair is a Certified Public Accountant (non-practicing) with a bachelor's degree in Business Administration from San Diego State University and executive certifications from the Massachusetts Institute of Technology (Sloan School of Management) and the University of Pennsylvania (Wharton)

Length of Directorship: **12 years**



**ANYA C. CHOW CHUNG,**  
**LLB (Hons.), LEC**  
 INDEPENDENT DIRECTOR

Chairman of the Board and Chief Executive Officer  
 of Geo. F. Huggins & Company (Grenada) Limited

Mrs. Chow Chung is the first woman to serve in the capacities of Chairman and CEO of Geo. F. Huggins & Company (Grenada) Limited since the company was founded over 100 years ago. The company is Grenada's third largest employer and the most broad-based trading company on the island. Anya's other notable roles include - Director and current Corporate Secretary - Agostini Insurance Brokers (G'da) Ltd.; member of the Government of Grenada's special advisory committee on the projected effect of COVID-19 on the economy (March 2020); former Chairman of the Board of Directors - Grenada Airports Authority and former Director of the Grenada Board of Tourism (now the Grenada Tourism Authority).

Length of Directorship:  
**Appointed Feb, 2022**



**NEYCHA SOODEEN**  
 INDEPENDENT DIRECTOR

CEO of Radleigh Consulting, Founder  
 and CEO of Toute Bagai Publishing

Ms. Soodeen is a strategic communications consultant for regional organisations, a fundraiser for political campaigns and a champion for several initiatives contributing to the betterment of the Caribbean. As the CEO of Radleigh Consulting she is renowned as one of the few people in the region with a tremendous knowledge of the Caribbean. Radleigh Consulting has served several different Government agencies to help facilitate FDI to the island of Barbados and to help market their various products / exports including: The Barbados Tourism Investment Inc.; The Barbados Medicinal Cannabis Licensing Authority; Export Barbados. Additionally, Toute Bagai Publishing (founded by Neycha), is considered one of the Caribbean's largest magazine publishing houses, working with various hotel brands, real estate developers, Government agencies, regional associations and major corporations building a network of the key decision-makers and the top local and international executives operating or living in the Caribbean.

Length of Directorship:  
**Appointed Feb, 2022**



**DR. JOHN-PAUL CLARKE**  
 INDEPENDENT DIRECTOR

Professor of Aerospace Engineering and  
 Engineering Mechanics - University of  
 Texas at Austin, Co-Founder and Chief  
 Technology Officer of Universal Hydrogen

Dr. Clarke as a Professor of Aerospace Engineering and Engineering Mechanics at the University of Texas at Austin, holds the Ernest Cockrell Jr Memorial Chair in Engineering. Under his leadership at Universal Hydrogen, a company dedicated to the decarbonization of aviation he is instrumental thus far in raising over US\$25M in venture capital to develop novel low capital expenditure infrastructure for the supply of hydrogen for aviation and other modes of transportation. He is a member of the Boards of Directors of Universal Hydrogen and Indigo Insurance (Bahamas) Ltd. He is a Fellow of the AIAA and the Royal Aeronautical Society (RAeS) and is a member of the Airline Group of the International Federation of Operational Research Societies (AGIFORS), the Institute for Operations Research and the Management Sciences (INFORMS), and Sigma Xi.

Length of Directorship:  
**Appointed Feb, 2022**



# MOVE WITH US, CAYMAN

## Fidelity Bank is now **PROVEN Bank**

Your community banking experience just got better with backing and expertise from the PROVEN Group of companies.

PROVEN Bank keeps your life and lifestyle moving as we help to meet your financial needs - from savings, fixed deposits, credit and debit cards, consumer & real estate loans and mortgages.

See the PROVEN difference yourself at our branch locations and [provenbank.com](https://provenbank.com)

Dr Roys Dr, George Town, Cayman Islands  
Phone: +1 345 949 7822 - [provenbank.com](https://provenbank.com)

**PROVEN**  
**BANK**

**PROVEN Group:** Income and Growth Strategy Investment Holding Company Represented in Banking and Wealth | Real Estate | Portfolio Holdings

# Corporate Information

## BOARD OF DIRECTORS

### NON-EXECUTIVE

**Mr. Hugh Hart**  
Chairman

**Mr. Rhory McNamara**  
Company Secretary

**Mr. John Collins**

**Mr. Jeffrey Gellineau**

**Mr. Avinash Persaud**

**Ms. Anya Chow-Chung\***

**Ms. Neycha Soodeen\***

**Dr. John-Paul Clarke\***

\*appointed February 2022

### EXECUTIVE

**Mr. Garfield Sinclair**

## REGISTERED OFFICE

PROVEN Group Limited  
20 Micoud Street  
Castries, St. Lucia, W.I.

## ATTORNEYS-AT-LAW

Hart Muirhead Fatta  
Victoria Mutual Building, 2nd Floor,  
53 Knutsford Boulevard  
Kingston 5

## REGISTRAR AGENT

Jamaica Central Securities Depository Limited  
40 Harbour Street  
Kingston, Jamaica, W.I.

## BANKERS

Citibank  
19 Hillcrest Avenue  
Kingston 6, Jamaica, W.I.

Sagicor Bank Jamaica Limited  
17 Dominica Drive  
Kingston 5, Jamaica, W.I.

First Global Bank Jamaica Limited  
2 St. Lucia Avenue  
Kingston 5, Jamaica, W.I.

## INTERNAL AUDITORS

PriceWaterhouseCoopers  
ScotiaBank Centre  
Duke Street  
Kingston, Jamaica, W.I.

## EXTERNAL AUDITORS

KPMG  
204 Johnsons Centre  
#2 Bella Rosa Road  
Gros Islet, St. Lucia, W.I.

## CONTACT US

☎ (876) 946-4091

📠 (876) 978-3068

✉ info@weareproven.com

🌐 www.weareproven.com

📷 📺 📱 @weareproven

## Mailing Address:

PROVEN Group Limited  
c/o PROVEN Management Ltd.  
Suite #5  
53 Lady Musgrave Road  
Kingston 10, Jamaica, W.I.

# Roberts

Nourishing Lives Every Day

At Roberts, we manufacture quality products that nourish our lives every day. From household to commercial use, pet lovers to farmers, we provide products that help sustain livelihoods.



Lower Estate, St. Michael, Barbados

Tel: (246) 429-2131 | Fax: (246) 426-5604

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  barbadoslovesdogs

 bajanmeatsbypinnaclefeeds

 roberts@rmco.com

 www.rmco.com

# PROVEN Management Limited

## Leadership Team and Profiles

**PROVEN Management Limited (PML) is the management company of PROVEN Group Limited (PGL). PML through its leadership team, is responsible for managing the operations of PGL including identifying, analyzing, and negotiating potential investments, monetizing the performance of these investments and ensuring adherence to established policies and procedures of PGL.**



### **Peter Bunting**

Co-Founder & Chairman  
PROVEN Management Limited

Peter Bunting plays a strategic advisory role in the company's development, and champions its values of Integrity, Respect, and Results. He built his reputation in the financial sector as a co-founder of one of Jamaica's most innovative and successful financial institutions - Dehring Bunting & Golding Limited (DB&G).

Peter contributes significantly to nation building and is currently the Leader of Opposition Business in the Senate, after previously serving four terms in the House of Representatives. He also served as Minister of National Security, General Secretary for the People's National Party, Chairman of the National Water Commission, Chairman of JAMPRO, and CEO of the National Investment Bank of Jamaica.



### **Christopher Williams**

Co-Founder & CEO  
PROVEN Management Limited

Christopher Williams provides executive strategic leadership for the over US\$1B portfolio companies' holdings and is responsible for overseeing the full operations of PML and providing strategic direction and leadership towards the achievement of the organisation's overall goals and objectives, as set by the Board of Directors. Mr. Williams has a M.B.A. in Strategic Marketing and Finance from York University. He currently chairs and serves as director for numerous boards with his chair appointments being Chairman - Caribbean Alternative Investment Association (CARAIA); Branson Center of the Caribbean; PROVEN Properties Limited (formerly PROVEN REIT Limited); Jamaica College Foundation; Jamaica Association for the Deaf; and Professional Football Jamaica Limited.



**Garfield Sinclair**

Co-Founder & Director  
PROVEN Management Limited

Garfield Sinclair provides strategic oversight and directions for the company's business development and growth; serving also as Chair for PROVEN Bank Limited.

He is recently retired and is the former CEO of BTC, CWJ and President of the Caribbean for CWC where he had ownership of 14 Caribbean P&L's, ensuring business performance and exceeding the expectations of the stakeholders in the form of the Customers, Employees, Executive & Non-Exec Board, Shareholders & Bond Holders. Mr. Sinclair is a Certified Public Accountant (non-practicing) with a bachelor's degree in Business Administration from San Diego State University and executive certifications from the Massachusetts Institute of Technology (Sloan School of Management) and the University of Pennsylvania (Wharton).



**Mark Golding**

Co-Founder & Director  
PROVEN Management Limited

Mark J. Golding is a leading Jamaican commercial attorney-at-law and a Partner in the law firm Hart Muirhead Fatta, where he has specialized in capital markets, corporate finance and mergers and acquisitions. He was a founding shareholder and director of Dehring Bunting & Golding Limited in 1993, and a founding shareholder and director of PROVEN Management Limited in 2010. He has also served on the Boards of several of Jamaica's leading companies, was a founding Director of Caribbean Information & Credit Rating Services Limited (CariCRIS, the first regional ratings agency for the Caribbean), and is the Chairman of the Mona Rehabilitation Foundation, a non-profit organisation for persons with physical disabilities. Mr. Golding has also had an extensive career of public service, initially as a member of the Jamaican Senate from 2007 to 2017, serving with distinction as Jamaica's Minister of Justice from 2012 to 2016. He was elected the Member of Parliament for South St Andrew in November 2017, whereupon he was appointed the Opposition Spokesperson for Finance and Planning, and has been the Leader of the Opposition in Jamaica's Parliament since November 2020.



**Christopher Bicknell**

Director  
PROVEN Management Limited

Christopher Bicknell is widely regarded as one of Jamaica's most successful entrepreneurs and is currently the Chairman and Group C.E.O. of Tankweld Metals Ltd. Mr. Bicknell is a Certified Public Accountant (CPA).

## Leadership Team



### **Johann Heaven**

Director & Head of Banking & Wealth  
PROVEN Management Limited

Johann Heaven is responsible for leading and overseeing the Banking and Wealth subsidiaries of the PROVEN Group of companies. He is also the President and Chief Executive Officer of PROVEN Wealth Limited, the Group's wealth management company, managing in excess of US\$1.2 billion in funds under management on behalf of high net worth, corporate and institutional clients and pension funds. Mr. Heaven has over 20 years of experience in finance and banking, specializing in financial analysis, mergers and acquisitions, financial advisory, treasury and asset management, strategic planning and corporate finance. Over his career, he has played an integral role in the growth of numerous institutions particularly in his previous role as Vice President, Strategic Planning & Analysis at Dehring Bunting and Golding Limited and then Scotia Investments Jamaica Limited in a similar capacity. Mr. Heaven is a Chartered Financial Analyst (CFA) charter holder, and holds the Financial Risk Manager (FRM) certification, and has a Master's Degree in Finance from the University of London.



### **Charmaine Boyd-Walker**

Senior Vice President Finance  
Risk & Compliance  
PROVEN Management Limited

Charmaine Boyd-Walker is currently Senior Vice President Finance, Risk & Compliance for Proven Management Limited and is responsible for directing Finance, Risk & Compliance to efficiently and effectively produce timely financial reports as guided by the accepted accounting standards across the group. She is a financial management professional having amassed over twenty years' experience in finance through a diverse career path. She holds a Master's Degree in Finance from Manchester Business School and a Certification in International Risk Management (CIRM). Charmaine sits as a Director of PROVEN Wealth Ltd., International Financial Planning Jamaica Limited, PROVEN REIT Limited, International Financial Planning Cayman Limited and Access Financial Services Limited



### **Sherri Murray**

Vice President, Operations  
Human Resources & Company Secretary  
PROVEN Management Limited

Sherri Murray is the Vice President, Operations & Human Resources at PROVN Management Ltd. and is responsible for providing operational and board support along with strategic human resource management for the PROVEN Group of companies. She has over 25 years' experience in the Finance industry and has previously worked for Scotia DBG Investments Limited and PriceWaterhouseCoopers.

Mrs. Murray has a B.Sc. (First Class Hons) from the University of the West Indies and an MBA in Finance & International Business from McGill University, Montreal, Canada. She is the Company Secretary for PROVEN Management Ltd, PROVEN Wealth Ltd, PROVEN REIT Ltd, PROVEN Properties Ltd, IFP (Jamaica) Ltd, Heritage Funds International Inc, Fidelity Bank (Cayman) Ltd and Access Financial Services Ltd. Mrs. Murray is also a Director of International Financial Planning Ltd, International Financial Planning (Cayman) Ltd and International Financial Planning (BVI) Ltd.



**Nerisha Farquharson**

Vice President, Treasury & Private Equity  
PROVEN Management Limited

Nerisha Farquharson is responsible for managing the Portfolio Holdings segment of the business. This includes all assets excluded from the Banking & Wealth Management and Real Estate segments. These include Private Equity portfolio companies whether financial or real sector, tradable securities, and any other opportunistic investments.

Nerisha has over 15 years of experience, spanning financial services regulation, treasury and trading, asset and liability management, portfolio risk management, and private equity. She was formerly employed with PIL's subsidiary, PROVEN Wealth Limited in the capacity of Senior Manager, Treasury & Investments. she holds a BBA in Finance (honors) from the University of Technology, Jamaica along with an MBA in International Business with distinction, from at the University of the West Indies, Mona. She is a CFA Charter Holder since 2012. Mrs. Farquharson sits as a Director of Access Financial Services Limited and Caribbean Alternative Investment Association and is an Alternate Director of Roberts Manufacturing Limited.



**Belinda N. Williams**

Assistant Vice President  
Group Chief Marketing Officer  
PROVEN Management Limited

Belinda Williams is responsible for leading the overall integrated marketing strategy development, management, and execution across the PROVEN Group of companies. The role includes policy creation, investor and media relations, brand management, Corporate communication; and market research. She has extensive knowledge in strategic integrated marketing communications having served in senior management roles at NCB Group and the NCB Foundation; with over twenty-five years of experience in the field. She is a director on the Boards of Future Energy Source Company Limited (FESCO); the Jamaica Bobsleigh & Skeleton Federation Limited; the National Chorale of Jamaica (NCOJ) and a Commissioner on the Jamaica Cultural Development Commission (JCDC). She is a graduate of the Florida International University Chapman School of Business Studies where she received an Academic Certificate of Excellence for the Executive MBA Programme and she also holds an Honors BSc Administration from the University of Technology.

# Our Top 10 Shareholders

Primary Account Holder	Volume	Percentage
Barita Investments Ltd-Long A/C (Trading)	32,540,064	4.2848%
Peter Bunting	31,720,643	4.1769%
Mabet Holdings	24,466,886	3.2217%
Protek Limited	17,733,315	2.3351%
Mr. Marco Miret	16,309,146	2.1475%
Ozymandias Limited	15,085,706	1.9864%
Pelican Investment Company	14,172,821	1.8662%
Christopher C. Williams	13,936,626	1.8351%
Alydar Limited	13,500,011	1.7776%
Tajebe Limited	10,238,097	1.3481%

# Directors' Shareholdings

Primary Account Holder	Joint Holders	Volume	Percentage
Anya Chow-Chung		0	0.00000%
John Collins		300,000	0.03950%
Rhory McNamara	Dorado Holdings Ltd.	363,966	0.04793%
Hugh Cecil Hart	Pelican Investments Company Limited	14,172,821	1.86624%
Garfield Sinclair	Platoon Limited	7,945,278	1.04621%
Jeffrey Gellineau		0	0.00000%
Avinash Persaud		0	0.00000%
Neycha Soodeen		0	0.00000%
John-Paul Clarke		0	0.00000%

# Management Discussion & Analysis

## REVIEW OF FINANCIAL PERFORMANCE

The Board of Directors of PROVEN Group Limited (PROVEN) is pleased to report its Audited Financial Statements for the year ended March 31, 2022.

## FINANCIAL HIGHLIGHTS

<b>US\$12.5 million</b>	<b>US\$ 0.0165</b>	<b>US\$1.1 billion</b>	<b>8%</b>	<b>73%</b>
Net Profit attributable to shareholders	Earnings per Share	Consolidated Total Assets	Trailing 12 Months (TTM) Return on Average Equity	Efficiency Ratio

### Financial Performance

PROVEN registered a creditable performance for the year ended March 31, 2022, within the context of looming uncertainty around sustained inflationary pressures and a rapidly evolving business environment. Net Profit Attributable to Owners of the Company (NPAO) for the year ended March 2022 was US\$12.5 million versus Net Profit of US\$11.5 million earned in the previous year, representing a year-over-year increase of 8.7%. Against a backdrop of material uncertainty and changing risk premia, this performance reflects the resilience of earnings across the Portfolio Companies and the PIL business model.

The Company completed three acquisitions during the year, despite the ongoing COVID-19 pandemic. The US\$30 million APO raise in FY 2021, helped to finance the acquisition of Fidelity Bank (Cayman) Limited (100%), Roberts Manufacturing Co (51%), and Heritage Education Funds (100%) while completing new and existing Real Estate Projects. The PROVEN Team remains encouraged by investors' continued support along our journey of growth and evolution as a Private Equity Company. PROVEN will focus on creating value in its recent acquisition.

### Statement of Financial Position

Total assets amounted to US\$1.1 billion as at March 31, 2022, growing by 69% from the US\$674.5 million reported as at March 31, 2021. The growth of Total Assets is primarily due to an increase in Loan Receivables, Cash, and Investments, funded by a corresponding rise in Customer Deposits. Liabilities moved by 93% to US\$974.7 million as at March 31, 2022, from US\$505.1 million as at March 31, 2021, mainly due to an increase in Client Deposits. These charges largely stem from our acquisition of Fidelity Bank Cayman.

### Shareholders' Equity

Shareholders' Equity Attributable to Owners of the Company decreased by 11.8% to US\$142.6 million as at March 31, 2022, from US\$161.7 million as at March 31, 2021. This resulted from a US\$28.8 million reduction in investment revaluation reserve to a negative position of (US\$22.0) million, stemming largely from investment in associates and reflective of the financial market volatility experienced during the 4th Quarter ended March 31, 2022.

### Dividend Payment

At the Board meeting held on June 24, 2022, the directors decided not to declare an interim dividend for the quarter ended March 31, 2022. This decision was made against the backdrop of the current uncertainty surrounding financial markets, whereby it was considered prudent to create a cushion to withstand further market volatility and support the adequate capitalization of regulated entities which is deemed critical at this time.

For the year ended March 31, 2022, total dividends of US\$6.2 million (0.81 cents) were declared compared to US\$5.0 million (0.66 cents) for the year ended March 31, 2021. This represents a payout ratio of 49% of the Profits Attributable to Ordinary Shareholders. The dividend declared represents a 12-month trailing dividend yield of 3% based on the average share price of US\$0.24 for the twelve months ended March 31, 2022.

### **Performance Drivers**

PIL organizes its investments in three Strategic Pillars, namely: (1) Banking & Wealth Management, (2) Real Estate, and (3) Portfolio Holdings.

## **BANKING & WEALTH MANAGEMENT**

Banking and Wealth Management is our core Pillar, comprises all majority-owned assets based in the financial services sector. The strategic pillar of the Banking and Wealth Division includes the portfolio companies of Proven Wealth Limited, BOSLIL Bank Limited, IFP Cayman Group, IFP Jamaica Ltd, Heritage Education Fund International and Fidelity Bank (Cayman) Limited.

### **PROVEN Wealth Limited (PWL)**

PWL reported Profit Attributable to Equity Holders of US\$1.8 million, representing a decrease of 36% from the prior year. Net Interest Income represented 20% of Total Income down from 25% in the prior year, indicating the successful execution of the company's strategy to diversify revenue streams and reduce reliance on the repurchase agreement business. Pension Management Income was the top-performing line item during the year. Total Administrative and General Expenses amounted to US\$7.3 million, accounting for 16% of total Group Operating Expenses. Total Assets experienced growth of 17% year over year to US\$104.2 million as at March 31, 2022.

PWL remains focused on implementing a digital transformation strategy to improve operating efficiency and customer experience. During the period the Company launched an upgrade to its customer management platform to complement the Proven Wealth App, IPO Pro, and Global Trading Platform.

### **BOSLIL Bank Limited (BOSLIL)**

BOSLIL Bank Limited delivered a Net Profit totalling US\$2.2 million within the context of a challenging operating environment. This resulted in US\$1.7 million in Profit Attributable to Equity Holders being realized for the 12-month period ended March 31, 2022 versus US\$4.8 million for the year ended March 31, 2021. The decline in Net Profit is tied to a 90% decrease in Securities Trading Income, due to a less favourable trading environment and one-off gains realized in the prior year.

Total Administrative and General Expenses stood at US\$5.9 million, accounting for 14% of total Group Operating Expenses. Total Assets of the Bank increased by 13.2% year over year to US\$358 million as at March 31 2022.

PIL remains focused on executing its corporate strategy for this investment which will result in the implementation of initiatives to drive the expansion of the balance sheet and further diversify revenues while scaling the current operating platform.

### **PROVEN Wealth (Cayman) Limited formerly International Financial Planning (Cayman) Limited (IFP)**

IFP is a licensed independent investment advisor with offices in Cayman, Bermuda and the British Virgin Islands that caters to a variety of investors ranging from medium to high net-worth individuals. The company reported a Net Loss of US\$0.7 million compared to a Net Profit of US\$0.4 million earned in the previous year. This business fared badly during the pandemic and new leadership has been recruited to chart a profitable course forward.

### **Heritage Education Funds International Inc.**

Heritage Education Funds International was acquired in September 2021. This business specializes in administering and managing Education Savings Plans (ESPs) for clients in the Bahamas, Bermuda, Jamaica, and the British Virgin Islands, and has enrolled over 50,000 children in its Heritage International Plan since its inception in 1983 and oversees approximately US\$150 million in assets under management. Heritage recorded a Net Profit of US\$0.2 million over the period, driven by fee income produced by its core activities. Heritage's fee income of US\$1.4 million contributed 15% of the Group's Total Fees and Commission.

### **PROVEN Bank (Cayman) Limited formerly Fidelity Bank (Cayman) Limited**

PIL is pleased to announce that regulatory approval for the acquisition of Fidelity Bank (Cayman) Limited (FBC) was granted and the transaction was closed on February 1, 2022. FBC is a financial services company incorporated in the Cayman Islands and licensed under the Bank and Trust Companies Act as a Category 'A' Bank to carry on banking business in the Cayman Islands. With two (2) branches in Grand Cayman, FBC provides services to residents and non-residents; offering financial solutions such as deposit accounts (savings, chequing, and term); loans (consumer/ personal, mortgage/real estate); credit cards; foreign exchange services; internet and telephone banking.

Total assets stood at US\$357.8 million, made up primarily of loan receivables and cash. FBC's shareholder's equity stood at US\$29.8 million. PGL is now heavily engaged in the transitional management and integration of this new asset into the Banking and Wealth Shared Services in keeping with the value optimization thrust across this Pillar.

## REAL ESTATE

This Pillar comprises all Real Estate Investments including the Development Sales and Recurrent Income model. A keen focus will be on increasing the weighting of capital allocation into the rent/lease recurring revenue model. As part of PIL's strategy to leverage its brand, "Real Properties Limited" was changed to "PROVEN Properties Limited" (PPL) in 2021. The real estate segment of PIL's portfolio is poised to deliver solid performance in this financial year. It is on track to achieve the completion of two (2) of its developments (Cesar and Via at Braemar) in 2022.

### PROVEN Properties Limited (PPL)

Residential Development	Location	Description	Status/Projected Completion Date
The César	21 Millsborough Avenue, Kingston 6	6 Villas & 9 Apartments	June 2022
VIA at Braemar	19-21 Braemar Avenue, Kingston 5	99 Apartments (51 Studios, 30 One Bedrooms, 18 Two Bedrooms)	June 2022
The Lagoons (40% stake)	Omega Drive-Grand Cayman	13 Townhouses (9 Two Bedroom, 4 Three Bedroom)	September 2022
AVISTA at Bloomfield	Bloomfield, Mandeville	78 Apartments (40 Studios, 20 One Bedroom, 18 Two Bedrooms)	March 2023
Sol Harbour	Milford Road, St. Ann	156 Apartments (144 Studios, 12 Two Bedrooms)	September 2024
Pimento Grove (49% stake)	Cardiff Hall, St. Ann	206 Residential Units (85 Villas, 73 Townhomes, 48 Condominiums)	March 2025
Commercial Development	Location	Description	Status/Projected Completion Date
Kingston Gateway Warehouse Complex (50%)	221-223 Marcus Garvey Drive	100,000 SF of warehouse space	October 2023
9 West Avenue Commercial Complex	9 West Avenue, Kingston 8	45,000 SF of commercial space	March 2024
Gladstone Commercial (60% stake)	Gladstone Drive, Kingston 5	41,872 SF of commercial space	September 2022
Bloomfield Commercial	Bloomfield, Mandeville	100,000 SF of commercial space	Projected Completion 2023
RENT/LEASE	Location	Description	Status/Projected Completion Date
Real NPW	Newport West, Kingston 13	29,680 SF of commercial space	100% Occupancy
Real Portmore Pine 1	Portmore Pines Plaza, Greater Portmore	26,908 SF of commercial space	100% Occupancy
Real Portmore Pines 2 (51% stake)	Portmore Pines Plaza, Greater Portmore	51,689 SF of commercial space	100% Occupancy
Chelsea Lands	12 Chelsea Avenue, Kingston 5	0.47 acres of land for parking	100% Occupancy

# 47% ↑

## Growth in Total Assets over the reporting period

PPL's Profit Attributable to Equity Holders for the year ended March 31, 2022 was US\$1.5 million. This performance contributed 24% to the Group's Net Profit Attributable to Owners of the Company (NAPO) and represents a 26% decline compared to the prior year.

Total Assets for the reporting period grew by 47% from US\$45.5 million as at March 31, 2021 to US\$66.8 million as at March 31, 2022, mainly due to growth in both the development sale and rental income assets. Net Rental Income increased year over year by 3.5% to US\$1.1 million from US\$1 million for the year ended March 31, 2022. The Company continues to diversify its portfolio of real estate holdings which as at March 31, 2022, included four (4) rental income properties and ten (10) development sales projects, all at various stages of the development cycle.

Revenue in this business segment is recognized only upon project completion. Due to supply chain challenges, two developments slated for completion during the financial year were delayed, however, they are anticipated to close early in FY 2023.

## PORTFOLIO HOLDINGS

This Pillar comprises the portfolio of all other assets not included in the first two Pillars which includes investments in associated companies whether financial or real sector, majority-owned investments in real sector companies, tradable securities, and any other opportunistic investments. The Pillar will be focused on maximizing returns to PIL through management of the entire investment process supported by ongoing assessment of exit strategies. The Pillar includes Access Financial Services Limited, Proven Holdings Limited; the Company that holds JMMB Shares, and Roberts Manufacturing.

### Access Financial Services Limited (AFSL)

For the year ended March 31, 2022, AFSL, an associate company, contributed US\$0.7 million in Share of Profit which is a 57% increase from US\$0.5 million for the year ended March 31, 2021. Despite current market conditions, AFSL registered solid year-over-year improvements in its performance.

### JMMB Group Limited

JMMB is an associate company and has contributed a total Share of Profit of US\$15.1 million for the financial year ended March 31, 2022, representing a 46% increase compared to US\$10.3 million during the prior year. Adjusted for cost associated with the investment, the net contribution is US\$13.0 million. Approximately 25% of PIL's capital is allocated to this investment. In this reporting period, JMMB recorded its largest profit, chiefly credited to growth in top-line revenues. The Group is currently in the process of opening new branches across the three (3) countries in which they operate (Jamaica, Dominican Republic, and Trinidad).

### Roberts Manufacturing Company Limited (RMCO)

PROVEN Group Limited (PGL) successfully completed this acquisition on June 8, 2021. RMCO is a producer of edible oils, fats and animal feed and is a consolidated entity given PIL's 50.5% ownership of the Company.

Net Profit attributable to PIL for its 50.50% stake totalled US\$1.47 million, representing 12% of Group NPAO. Total Assets amounted to US\$28.4 million as at March 31, 2022, which is mainly comprised of inventories and fixed assets. Total equity stood at US\$17.8 million for the period ended March 31, 2022.

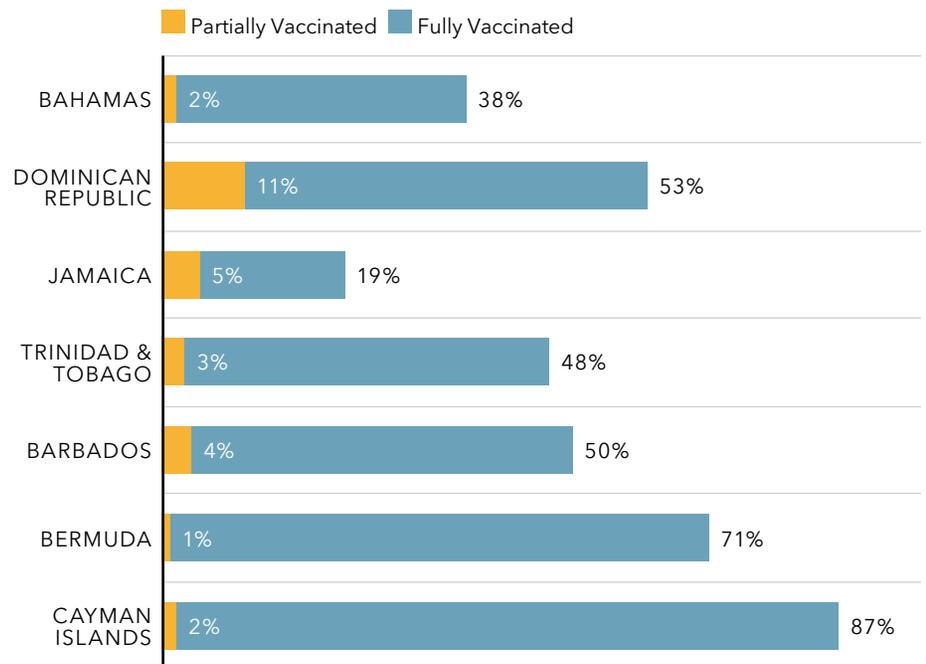
The Board of Directors takes this opportunity to thank all our stakeholders for their support and trust throughout this period of market volatility.

## OPERATING & MACRO ECONOMIC ENVIRONMENT

### Overview

According to International Monetary Fund (IMF) estimates, the global economy grew by 6.1% in 2021. The second half of 2021 saw a rebound in consumer and business sentiment, on the back of a strong vaccine supply while COVID-19 cases moderated. The global relaxation of COVID-19 restrictions coupled with the effects of record accommodative monetary and fiscal policy in the U.S. improved prospects for service industries like travel, retail, merchandising and entertainment. This underscored a shift in consumer spending from goods to services as the reopening of the 'outside economy' continued. Given that the service sector is more than twice the size of the goods-producing sector in the U.S. and the Caribbean, this augured well and sparked hope that a COVID-19 recession could be averted.

## VACCINATION RATE



Source: ourworldindata

A recovery in both the financial markets and the real economy was observed heading into the final fiscal quarter. The improvement in economic conditions led to a reduction in impairments for financial assets, improving earnings for financial institutions. This economic recovery brought demand, which was not matched by the supply side, due to labor shortages, China's COVID-19 lockdowns, and ongoing supply chain constraints. This supply shortfall lifted inflation above the central bank targets for both the U.S. and the Caribbean, with U.S. point-to-point inflation being 8.5% in March 2022 versus the U.S. Federal Reserve's target of 2%. Hopes of a smooth V-shaped recovery were soon cut short with the emergence of geopolitical risk involving Russia and Ukraine.

## Geopolitical Risk - Russia / Ukraine

The Last quarter of the financial year marked the onset of the Russian invasion of Ukraine, creating a new inflation catalyst. Russia and Ukraine are two major exporters of commodities such as grains, major inputs to edible oils, fertilizer, metals, and energy. The sanctions placed on Russia constrain the supply of these products, elevating the cost of raw materials for most industries, but more so in food production.

For context, the price of West Texas Intermediate Crude Oil (WTI) rose 43% from \$69.62 to \$99.27 over the financial year ended March 31, 2022. Corn prices grew 34% year over year from \$5.60 to \$7.49 per bushel as at March 31, 2022. High soybean prices, from adverse weather in Brazil and reduced corn and fertilizer output from eastern Europe, greater demand for crude oil, fueled by an expectation for an unusually high level of leisure travel and Venezuela's ability to supply crude oil being sanctioned, are expected to keep inflation elevated in 2022.

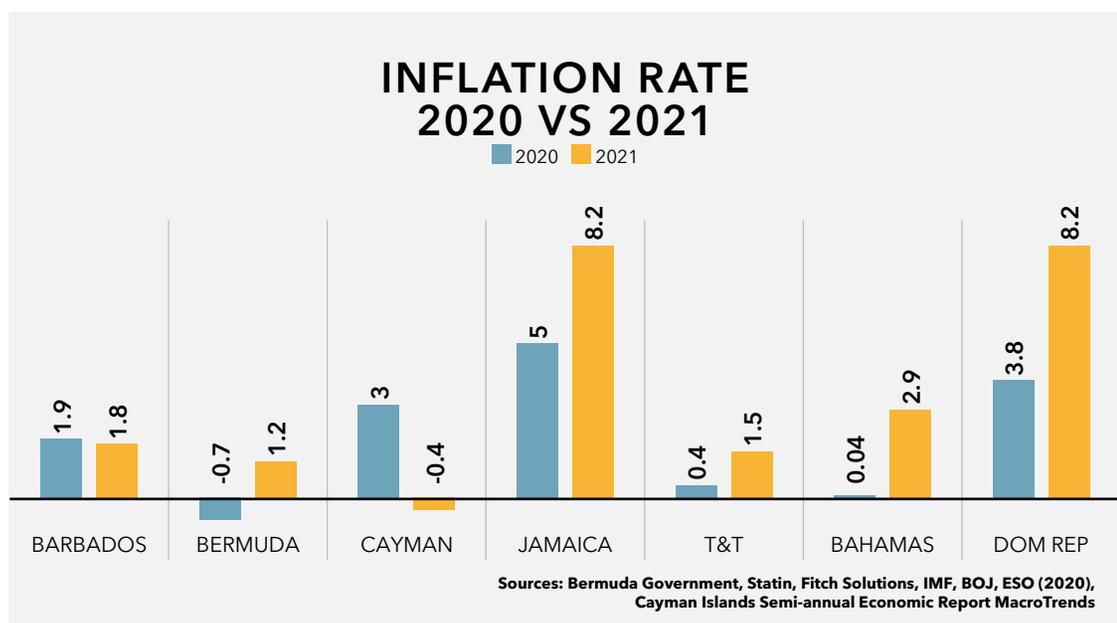
## Monetary Policy

The U.S. Federal Reserve responded to the supply side war-fueled inflation by hiking its benchmark interest rate by 25 basis points to 0.5% in March 2022, with an expectation to hit the 2% level in early 2023 with more planned rate hikes. The U.S. 10-year yield rose from 1.72% to 2.34% year over year as of March 31, 2022 and could continue to rise further as economic data remains strong despite inflation concern. Regionally, both Jamaica and Domrep the two countries with floating exchange rates followed a similar path of monetary tightening in a bid to curtail money supply, inflation while supporting exchange rate stability.

U.S. Dollar Index (DXY) rose steadily from 95.97 to 98.31 from December 31, 2021, to March 31, 2022, in line with an expectation of higher interest rates and the strengthening of the U.S. dollar against other currencies due to lower inflation compared to levels in Developing Countries and in Europe. However, real yields are expected to be negative for the rest of 2022 due to the inflationary drivers that are no longer transitory.

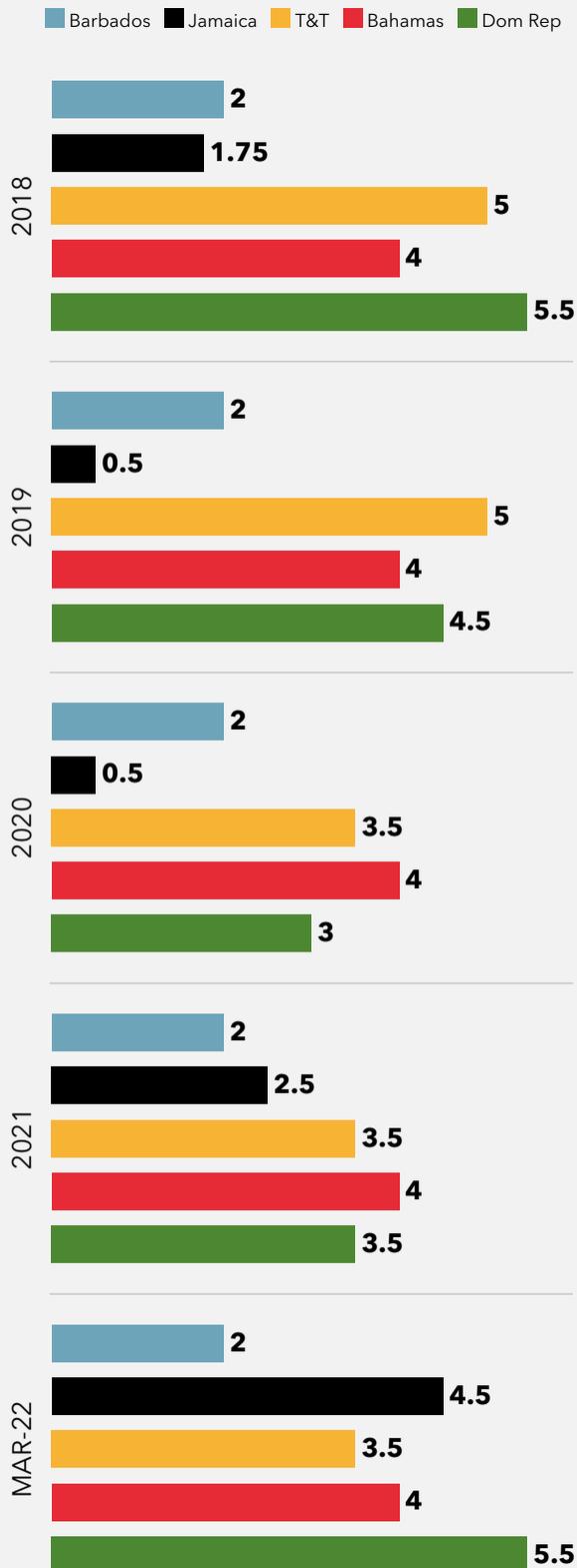
## Global Insights & Market Impact

According to International Monetary Fund (IMF) estimates, the global economy is forecasted to grow 3.6% in 2022, a downward revision from its original expectation of 4.4%. Meanwhile, the IMF projects a growth of 3.6% for 2023. The post-pandemic economic recovery continues, with Emerging Market and Developing Economies (EMDEs) expected to grow 3.8% in 2022 and 4.4% in 2023. On the other hand, Advanced Economies are expected to see a growth of 3.3% in 2022 and 2.4% in 2023.



Due to the inflationary pressure and increased economic risk to developing economies, there has been a steady increase in the credit spread between emerging market (EM) and investment grade (IG) debt as investors seek the safety of IG debt. Newly issued EM debt is also now paying high single-digit and low double-digit rates as was seen with the new Bahamas bond. Holders of emerging market debt have been exposed to major mark to market losses for long-duration debt portfolios, while short-duration portfolios stand to benefit from repricing at higher rates. Inflationary headwinds are expected to slow economic growth in the U.S., and there is an increased risk of a recession over the upcoming 12- 18 months. The U.S. Economy contracted 1.4% in Q1 2022, but this was due to weakness in the international trade aspect of GDP, as the consumption and investment components grew over the period. Given China's emergence from COVID-19 lockdowns, it's likely that U.S.-China trade conditions should improve, and that consumption and investment continue their current run rate.

## CENTRAL BANK POLICY RATE



Sources: CountryEconomy, TradeEconomics, BOJ, Central Bank

As of March 31, 2022, the S&P 500 Index grew 11.4% to 4,530.41 points year over year. The top performing sector was energy followed by real estate, while the worst performer was communication services. Meanwhile, the Dow Jones Industrial Average rose 4.8% over the period to close at 34,678.35. The performance catalysts included high liquidity, earnings growth in service industry stocks and improving conditions around COVID-19 restrictions.

### International Financial Markets

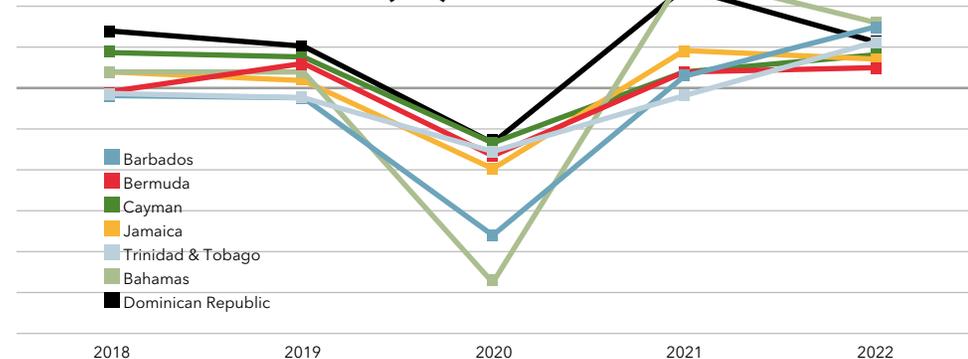
Since the conflict in Europe led to supply-side inflation and the raising of interest rates around the world, most major equity markets have now moved into bear market territory. The general market downturn shows the shift higher in the cost of capital, long-duration stocks being impacted the most, and recession risks, with many cyclical stocks now underperforming defensive stocks. There is also increased volatility in the commodity markets which opens the opportunity for tactical purchases, as some market participants overreact to the news which results in selloffs, therefore decisions around the timing of forward purchases represent a critical competitive advantage for manufacturers.

Bear markets often end when economic conditions are still poor, but there is a sense that the rate at which they are worsening has tempered. Based on this outlook, it is reasonable to say that rates could go higher and result in weaker pricing for existing bond portfolios. Even if yields do not rise much more, it is likely that the markets would price the risk that they could go lower before we can see a recovery. US financial conditions have tightened quickly; however, they are not tight by historical standards. This indicates that either rate could rise further, or the bond market may need to price this risk, which would worsen financial conditions.

### Regional

In a report on July 8, 2021, the Economic Commission for Latin America and the Caribbean (ECLAC) raised its regional growth estimate for the year for the Latin American and Caribbean region to 5.2% based on an economic rebound, the main threats to which were the social impacts of the pandemic worsening.

## ANNUAL GDP GROWTH RATE (%)



Sources: Bermuda Government, S&P, Moody's, Statin, Fitch Solutions, IMF, ESO (2020), Cayman Islands Semi-annual Economic Report, Data WorldBank, Macrotrends

The Latin American and Caribbean regions have been hit the hardest by the COVID-19 pandemic. The region has become an epicenter of the pandemic and as of July 2021 had one of the world's highest per capita mortality rates. Growth in the region in July 2021 was expected to be 4.1%. At the meeting of the monetary council of the Eastern Caribbean Central Bank, the council was informed the 2021 growth estimate was revised to 3.9%.

### **Barbados**

The data from the Central Bank of Barbados as of February 2022, estimated Barbados' economy grew by 1.4% during 2021. During the first quarter of fiscal year 2021, the Barbadian economy experienced a 14% contraction; however, the economy steadily improved over the latter three quarters. For the full fiscal year, the tourism arrivals were only 20% of the pre-pandemic levels. The unemployment rate improved in the 2021 fiscal year to 10.9% in Q4 from 17.2% in Q1 and relative to 13.6% one year earlier.

Deposit-taking institutions' (DTI) loan balances declined in 2021, as a decline in available credit from commercial banks outweighed the effect of increased credit from smaller financial companies. Household mortgages, consumer loans and, loans to private businesses also declined while there was marginal growth in corporate lending. DTI's deposit balances grew in 2021, driven by greater Government debt spending in response to the pandemic. Liquidity in the banking system rose and as a result the weighted average lending rate of commercial banks maintained a downward trend. The weighted average deposit rate was flat for the year and, policy-based funding as well as an IMF Special Drawing Rights Allocation strengthened reserves in 2021.

The Government's primary balance target for FY2021/22 has been revised to a 1% of GDP deficit. During the first three quarters of the FY2021/22, the Government reported US\$22M primary surplus down from US\$121M one year earlier. The fiscal deficit was at US\$110M worsening from US\$18M in the prior fiscal year. The partial revenue recovery is attributed to improved business activity, and greater non-interest spending related to the pandemic, natural disasters, weighed down the outcome. The small primary surplus over the first three quarters indicates that the target for the full fiscal year is achievable.

### **Cayman Islands**

The real gross domestic product (GDP) of the Cayman Islands is estimated to have increased by 1.4% in the first six months of 2021. Economic indicators suggest that the growth in economic activity was mainly due to increased output in the construction, business activities, government services and real estate sectors. The construction sector expanded by 13.0%, while the business services sector expanded by 4.5%. The financing and insurance services sector, which remains the largest contributor to GDP, grew by an estimated 3.2% for the first six months of the year. Economic activity was negatively impacted by the closure of Cayman's borders, which led to a significant decline in the hotels and restaurants sector. Cayman Islands had inflation of 7.6% in the last quarter of 2021. This followed 6.4% higher average prices in the third quarter of 2021. Cayman's inflation rate for the entire year was 3.3%

Loans to residents by retail banks grew over the 12 months. Retail lending increased, fueled by higher balances of mortgages and consumer loans. The deposit balances of residents grew for the 2021 fiscal year, fueled by an increase in corporate deposits and, retail deposits had marginal growth. The weighted average interest rate on KYD loans fell, while the weighted average KYD deposit rate was flat, therefore narrowing the average interest rate spread as

**We continue to be proactive in our operations, to effectively serve our stakeholders.**

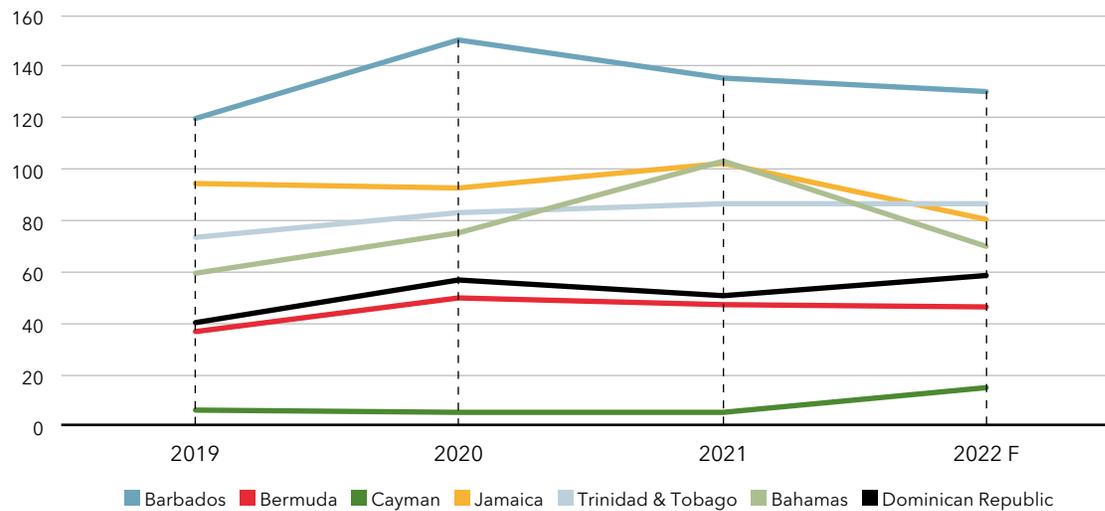
of June 2021, subsequent increase in US Benchmark rates has guided both deposit and lending rates higher as at March 2022.

Despite increased fiscal expenditures, the collection of outstanding taxes led to an improvement in the Government's fiscal balance, resulting in a surplus during the first three quarters 2021. Tax revenue expanded, fueled by higher collection of taxes on international trade and transactions, domestic goods and services, property and other taxes, while non-tax revenue declined. Current spending grew, driven by higher expenditure across all categories, namely: transfer payments, personnel costs and, payments for supplies and consumables. Subsidies, interest costs and other executive expenses also grew while, net capital expenditure and net lending increased during the three quarters. Government debt declined December 2020 to September 2021 and its cash balances improved over that same period. The Cayman Government has reported an operating surplus over the first two months of 2022, while debt fell further over the period.

### **Jamaica**

Jamaica's economic conditions improved significantly over the reporting period on the back of relaxed COVID-19 restrictions,

## DEBT - TO - GDP (%)



Sources: TradingEconomics, Economics Statistical Office, Fitch Solutions, S&P Global Ratings

moderating COVID-19 cases, strong vaccine supply, healthy remittance flows and broadly accommodative monetary conditions. According to the Planning Institute of Jamaica (PIOJ) the economy grew 8.1% for the Fiscal Year 2021/22 within the previously forecasted range of 7.0%- 9.0%. Growth was supported by improved performances in all industries, except Mining & Quarrying (-39.8%). The strongest recovery was in Hotels and Restaurants (+125%), Agriculture and Fisheries (+11.2%) and Construction (+6.3%). The Statistical Institute of Jamaica (STATIN) estimated economic growth of 6.7% in the fourth quarter of 2021 compared to the similar period in 2020. This growth was bolstered by recovery in the services sector (+9%), while the goods producing sector was flat (+0.5%). Debt levels peaked during the midst of the pandemic but has since moderated and is forecasted to be comfortable between 80-90% of GDP by the end of fiscal year 2022.

Jamaica's point-to-point inflation rate for March 2022 was 11.3%, well above the Bank of Jamaica's (BOJ) target range of 4%-6% per annum. This material inflation breach prompted the BOJ to implement

a policy rate hike of 150 basis points to 4.00% in February 2022 and a further 50 basis point hike in March 2022, to bring the policy interest rate to rate to 4.50%. This level is still accommodative and is just below BOJ's "neutral rate" of 5%. Between March 31, 2021, and March 31, 2022, the BOJ weighted average selling USD Exchange rate depreciated 5% from ~J\$146/US\$1 to ~J\$154/US\$1 over the fiscal year. Depreciation was contained by: ample remittance flows, BOJ flash sales, strong Net International Reserves (NIR) (US\$3.68B) and a strong tourism recovery.

In the local bond market, as at the 2021/2022 fiscal year end the Jamaican yield curve was upward sloping, which indicates that investors expect rates to be higher in the future, the respective yields were: JAMAN 2025; 3.8%, JAMAN 2028; 4.4%, and JAMAN 2039; 5.2%. Over the 12-month period spanning March 2021 to March 2022 the Jamaica Stock Exchange (JSE) Main Market Index dipped 1.5% to close at 388,647 points. Drivers include the lagged performance of large cap stocks such as TransJamaican Highway and financial conglomerates which outweighed

growth from GraceKennedy. Meanwhile, the Junior Market index surged 41.33% to close at 4,211.84 over the period. Highlights included Initial Public Offers (IPOs), the inflow of new retail investors and growth from popular junior market stocks that saw higher earnings during the pandemic. The resumption of dividend payments to shareholders, the rebound of the services sector, and the relaxation of COVID-19 restrictions fueled growth in several names, but lingering COVID-19 caution plus rising interest rates and inflation concerns weighed on investors outlook.

### Outlook and Key Forward-looking Drivers

The path of the conflict influences the path of inflation, but a resolution doesn't seem likely in 2022 given continued escalations and the widespread damage to Ukraine's infrastructure including: farms, roads, major ports and airports, and human capital, thus making the shortage of goods and inflation likely to persist. Due to proximity, the Eurozone is more sensitive to these shocks.

We will continue to be proactive and responsive in our operations and leverage digital tools and human capital, to effectively serve our clients, portfolio companies, and stakeholders. While tactical adjustments will be made to take advantage of the extraordinary operating environment during the year, our long-term strategic focus remains the same; to maximize value. The management of financial risk and applying portfolio strategies to mitigate and ensure stability in solvency and liquidity are critical areas of focus. We will therefore continue to build strong relationships with our clients and stakeholders and, actively seek to meet their needs in the current dynamic financial environment through our wide selection of offerings while remaining keen on opportunities amidst the challenges.

# Ten-Year Statistical Review

	2013 US\$ \$'000	2014 US\$ \$'000	2015 US\$ \$'000
<b>Income Statement Summary</b>			
OPERATING REVENUE NET OF INTEREST EXPENSE	9,884	8,251	10,837
OTHER INCOME	61	366	542
TOTAL OPERATING NET OF INTEREST EXPENSE & OTHER INCOME	9,945	8,617	11,379
TOTAL OPERATING EXPENSES	4,336	3,633	8,284
OPERATING PROFIT	5,609	4,984	3,095
PREFERENCE SHARE DIVIDEND	1,064	969	1,456
SHARE OF PROFITS OF ASSOCIATES	-	-	-
NET PROFIT (ATTRIBUTABLE TO OWNERS OF THE COMPANY )	4,153	3,788	5,365
<b>Financial Position Summary</b>			
TOTAL ASSETS	144,156	148,718	364,345
INVESTMENT SECURITIES	114,435	114,918	208,379
REPURCHASE AGREEMENT	31,370	44,075	183,811
NOTES PAYABLE	63,600	56,298	103,122
CUSTOMER DEPOSITS	-	-	-
TOTAL LIABILITIES	108,260	115,699	310,581
SHAREHOLDERS EQUITY (EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY)	35,777	32,908	42,308
<b>Profitability Ratios</b>			
RETURN ON AVERAGE EQUITY	12.06%	11.03%	14.27%
RETURN ON AVERAGE ASSETS	2.92%	2.59%	2.09%
EFFICIENCY RATIO	54.30%	53.41%	62.22%
<b>Stock Unit Information</b>			
DIVIDENDS PAID (\$'000)	2,628	2,651	3,429
DIVIDEND PAID PER SHARE	0.009	0.009	0.010
DIVIDEND YIELD %	9.90%	6.91%	5.50%
AVERAGE SHARE PRICE FOR FINANCIAL YEAR	0.09	0.13	0.18
EARNINGS PER SHARE- cents	1.41	1.28	1.46
NUMBER OF SHARES ISSUED	294,951,884	294,951,884	368,689,855

**PROVEN**

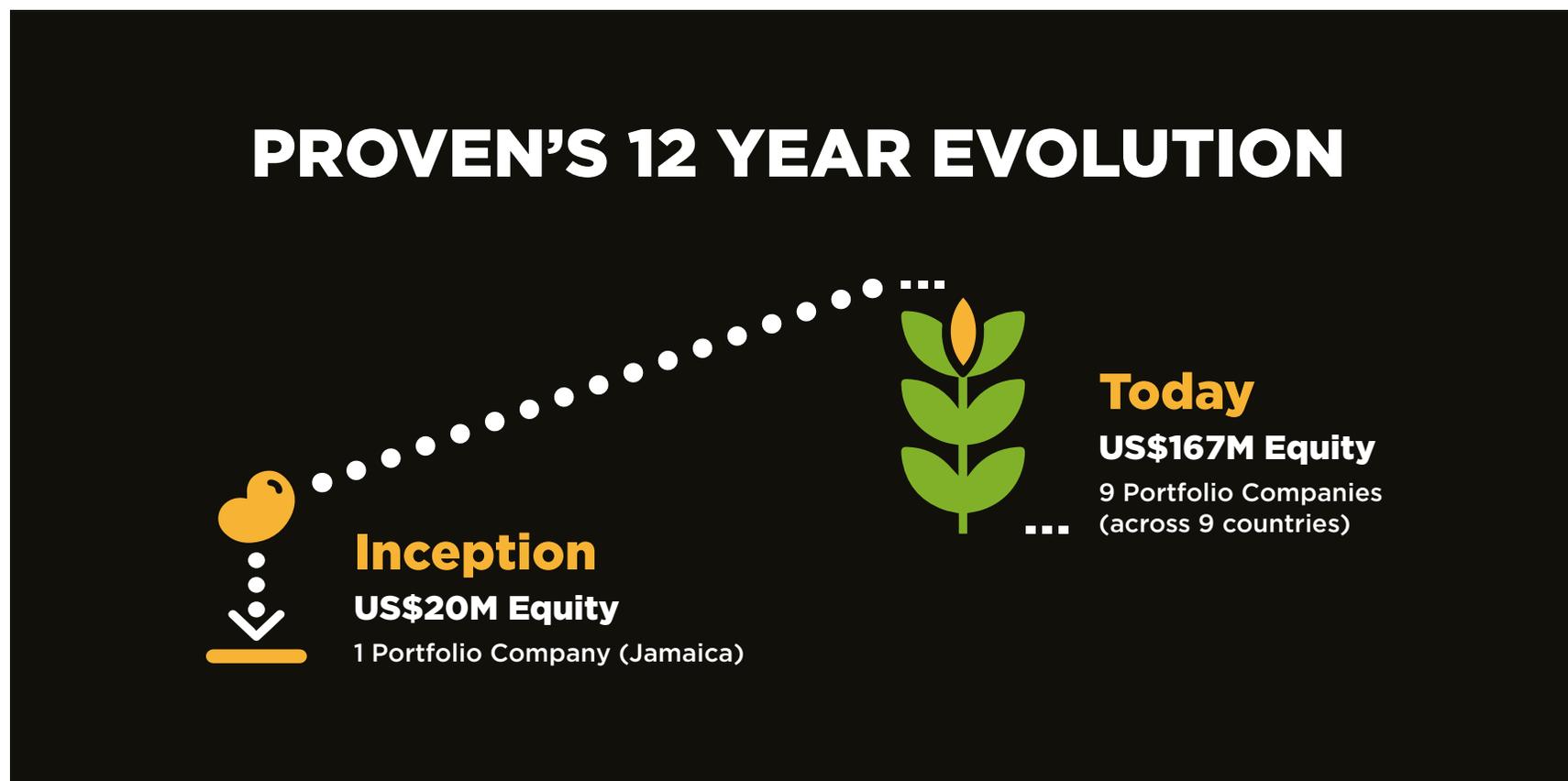
	2016 US\$ \$'000	2017 US\$ \$'000	2018 US\$ \$'000	2019 US\$ \$'000	2020 US\$ \$'000	2021 US\$ \$'000	2022 US\$ \$'000
	19,448	23,816	32,483	32,879	31,911	23,267	36,791
	1,548	1,006	3,667	4,841	13,390	3,682	9,228
	20,996	24,822	36,150	37,720	45,301	26,949	46,019
	16,839	18,249	23,561	26,133	37,922	20,776	42,602
	4,157	6,573	12,589	11,587	7,379	6,173	3,417
	331	2,184	976	1,289	8,605	2,743	2,556
	-	-	-	1,308	10,438	10,699	15,784
	2,344	8,850	5,682	6,847	29,979	11,532	12,537
	349,043	633,330	574,569	623,321	612,982	674,542	1,141,775
	232,158	362,259	369,085	336,740	291,396	265,291	335,192
	159,830	142,999	93,709	88,625	77,609	68,318	67,243
	96,529	96,687	110,961	185,550	154,503	134,845	210,768
	-	270,055	240,829	221,051	250,432	286,293	661,493
	276,075	543,473	469,563	510,178	507,562	505,117	974,713
	59,976	71,536	83,928	90,725	99,010	161,681	142,638
	4.58%	13.46%	7.31%	7.84%	31.60%	8.85%	8.24%
	0.66%	1.80%	0.94%	1.14%	4.85%	1.79%	1.38%
	78.43%	62.20%	67.79%	70.26%	57.68%	62.47%	72.92%
	3,364	4,360	6,383	5,066	8,581	5,036	6,155
	0.007	0.008	0.010	0.011	0.015	0.009	0.010
	3.44%	3.76%	4.25%	5.19%	5.73%	3.75%	3.76%
	0.21	0.21	0.24	0.21	0.27	0.25	0.24
	0.42	1.60	0.91	1.09	4.79	1.81	1.65
	551,595,777	551,595,777	625,307,963	625,307,963	625,307,963	636,484,966	759,432,000

# Strategy Outlook

## A Resilient PROVEN

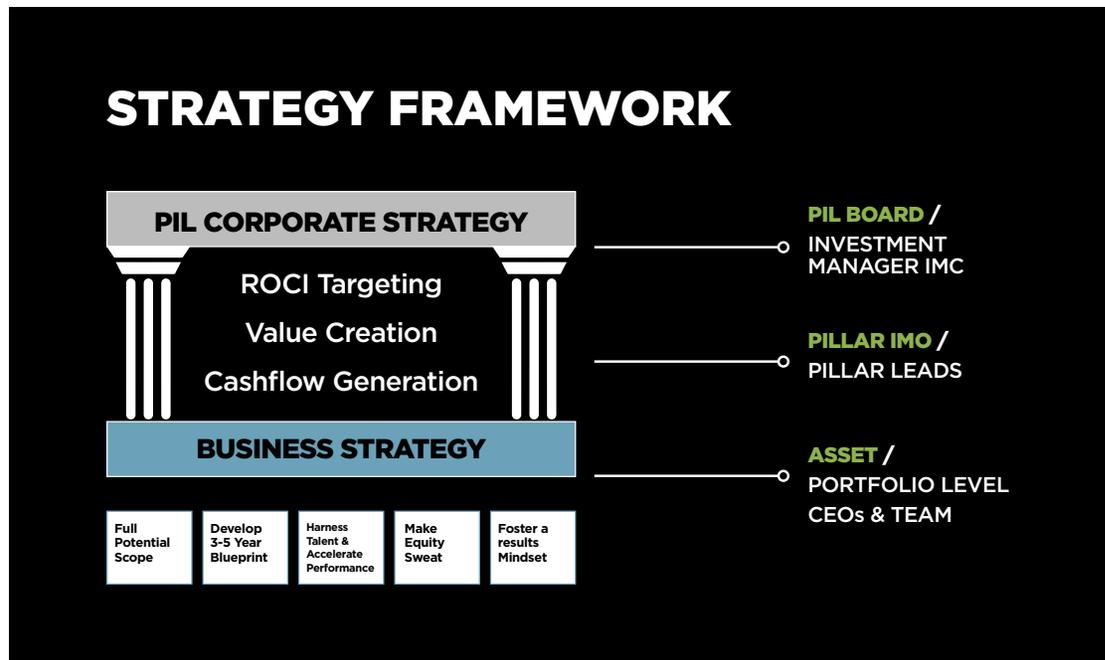
The PROVEN Group (PROVEN) is immensely cognizant of the shifting paradigm and has taken a proactive stance to not only enable the Group to navigate disruptions but to bounce back better and thrive amidst the uncertainty. Your PROVEN Team acknowledges that the world is experiencing levels of Business Risk not seen before and therefore we are transforming the way we do business to not only respond to but to develop and institutionalize frameworks to withstand unforeseen risk. We are moving ahead with this mindset and therefore, despite the Russia, Ukraine crisis adding an extra layer of disruption to our businesses we are pleased to share that the last 12 months were spent building on the foundation of the Redesign Business Model which was started and shared last financial year.

FY 2022 marked PROVEN's 12th year along our growth and transformation journey, the finalization of three new acquisitions during the financial year has completed the transition of PROVEN to a true play private equity company with permanent capital. Considerable time has been spent in the deal origination and execution phase of the private equity life cycle and we are now ready to embrace the integration, value creation, and where deemed appropriate



The review of the PROVEN Group Corporate Strategy was completed and placed into execution mode during Q2 of the financial year under review. The central mandate of the Redefined Corporate Strategy is to enable a laser focus at the Business Strategy level on the existing portfolio of 9 Companies across the nine jurisdictions. This is aimed at inducing a keen focus on value chain optimization and value creation in order to deliver sustainable shareholders value.

harvesting of selected assets, with a singular objective of growing Shareholders Earning Per Share while creating value for our team members, customers, consumers, and communities.



We have set of ourselves some ambitious 5-year goals and we are now investing the time, talent and resources to engineer the desired results whilst being acutely aware of the volatile, uncertain, complex and ambiguous (VUCA) business environment that we are operating. We are cognizant that resilience while requiring agility also requires the courage to think long term, we, therefore, challenge our Investors to trust our proven track record and competence as we plan today for a quarter's earnings 3-5 years in the future.

Your Leadership is being intentional about the forward-looking lens from which each portfolio entity is viewed, putting in place frameworks to anticipate disruptions rather than simply reacting while embracing a continuous learning organisation and adjusting based on our experience. To this end, the overarching theme for managing its portfolio of assets was and will continue to be focused on maintaining adequate capitalization and cash flow generation, preparing the team for acceleration (by placing continuous focus on refining our

talent strategy) and cultivating a unified PROVEN Culture that epitomizes our core values of respect, integrity, teamwork, and performance.

### PROVEN Dimension of Resilience

The shift in our business model is anticipated to complement the building of the Groups resilience muscle. Throughout the year's earnest focus was placed on building out capacity and capabilities across the Three Pillars: Banking and Wealth, Real Estate, and Portfolio Holding which is intended to ensure that PIL Corporate strategy filters down and gets executed at the business level.

Our four value levers (People, Investors, Asset, and Governance) cuts across the six dimensions of Resilience, while there remains some way to go, the official start of the journey in Q2 to execute the redefined corporate strategy has delivered several wins and the Team remains committed to the transition now on the way.

### Financial Resilience

Your leaders understand that cash is king and continue to balance short- and long-term goals to ensure the business develops the resilience to endure unpredictable changes particularly given the Company's exposure to the banking and financial services sector. To this end, over the next 12 months, a keen focus is on ensuring all entities are adequately capitalized as well as providing support for required capital investments. This will enable our portfolio companies to deliver long-term growth in their core operations while generating adequate cashflows. Notwithstanding this prudent stance, we will remain committed to delivering on the income and growth vision by, returning dividends to our shareholders.

**Building resilience requires systematic thinking, inclusion, and diversity at all levels within the organisation.**

### **Business Model Resilience**

We are committed to building a resilient operating model underpinned by a high-performance culture. The execution of the Shared Services across the Banking and Financial Pillar as well as Group Reorganisation and rebranding are three major initiatives now on the way in support of building our business model resilience. The shared services model will enable cross-functional agility in our operations and provide a platform for digital transformation to enhance customer delivery channels. This will create a brand ecosystem with a data-rich and digitally driven process that will position the respective entities to be responsive to emerging trends in the competitive landscape.

### **Organisational/ Strategic Resilience**

Building organisational resilience requires a foundation that supports systematic thinking, inclusion, and diversity at all levels within the organisation. The appointment of three new independent directors at the Parent Board in the current financial year as part of the Board succession is testament to our commitment to building organisational resilience. It aligns with our focus on creating value-added boards to enhance the resources and knowledge bank available to the leadership team to engender strategic visioning at both the PIL Corporate and the Business levels. Proven continues to build on its robust Governance framework and cascade this throughout its portfolio companies by focusing on embracing a talent management strategy that seeks to deploy the best talent in the right places and cultivate in the team a mindset of opportunities as opposed to stability and guarantees.

### **Technological Resilience**

We are mindful of the changing face of our clientele arising from the mass demographic shift and the accompanying changes in customer preferences, priorities, and touchpoints. The ongoing implementation of our digital transformation strategy and enhancement of IT Governance and security represents our gateway to technological resilience. Throughout the pandemic, our portfolio entities continue to invest in IT infrastructure to support timely business recovery and continuity. Following the successful implementation of our new core system in the last financial years, we are now migrating the other banking and wealth entities onto this platform. This is anticipated to simplify several back and middle office operations.

### **Looking Ahead**

We believe the company is at a critical juncture of its evolution which necessitates that we embrace a stance of anticipating disruption as the new normal in order to achieve our ambitious goals. We believe that focusing inward on companies currently in the portfolio to command its competitiveness positioning is the best reward we can offer our shareholders at this time. This requires a disciplined approach toward scoping the full potential of each business, making the necessary investment in talent and infrastructure to accelerate performance in order to realize our desired results.

While there is still considerable uncertainty with the world now grappling with the two-edge sword of health-related pandemics and inflationary and potential recession-inducing War, your Leadership Team's expectation is for a gradual recovery in regional economic activity over the next 24 months. To this end, we are taking the time, during this period of disruptions, to identify areas for strengthening capabilities and making the necessary investments at the Pillar and Business Level to position your Company to deliver on future growth targets.

**The company is at a critical juncture of its evolution which necessitates that we anticipate disruption as the new normal in order to achieve our goals.**



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# Corporate Social Responsibility

As the world still continues to recover from the ravages of the COVID-19 pandemic, many uncertainties remain globally. The added effects of an ongoing war that is further impacting livelihoods emphasizes the importance and value-added by PROVEN's commitment to its Corporate Social Responsibility (CSR) efforts. We have a strong philanthropic purpose and continue to work deliberately to stave socio-economic challenges as we serve and prove that when corporations and communities collaborate, we can overcome.

The Caribbean is a vital part of the global economy, and we at PROVEN Group Limited know it is our responsibility to contribute to its growth in any way possible. With this in mind, we know that maintaining our focus and commitment to supporting the communities we work in is one of the best ways to ensure a more prosperous and sustainable future for all.

For the fiscal year ending March 31, 2022, PROVEN's CSR portfolio was instrumental in providing assistance through its three target areas: **Community Development, Education, and Entrepreneurship**. We spent USD\$127,508.14 on our CSR portfolio, a 3% increase from the last period, investing in major projects ranging from healthcare to learning readiness and capacity building for entrepreneurs. Similar to the period ending in 2021, our Community Development initiatives once again led the charge with a total spend of USD\$106,962. Expenditures on the Education projects totalled USD\$11,297.48 with the largest percentage increase, 141%, compared to the previous year. Entrepreneurship initiatives rounded out the list at USD\$9,249.00.

For the year under review, our CSR activities remained aligned with recovery efforts tied to the pandemic, including the general well-being of our citizens, ensuring access to necessary learning resources for students, and championing the mindful development of entrepreneurs who are critical to our nation's economy. At PROVEN, we invest in projects that not only reflect our mission as a company but also represent the values of our team members-not only as committed workers, but also as citizens invested in contributing to the best future possible for our nation. Our corporate social responsibility efforts could not be as impactful without their steadfast commitment to serving.

Outlined over the next few pages is an overview of our CSR portfolio for the period ending March 31, 2022:

We spent  
**USD\$127,508**  
 on our **CSR portfolio**.  
 A **3%** increase in  
 these target areas.



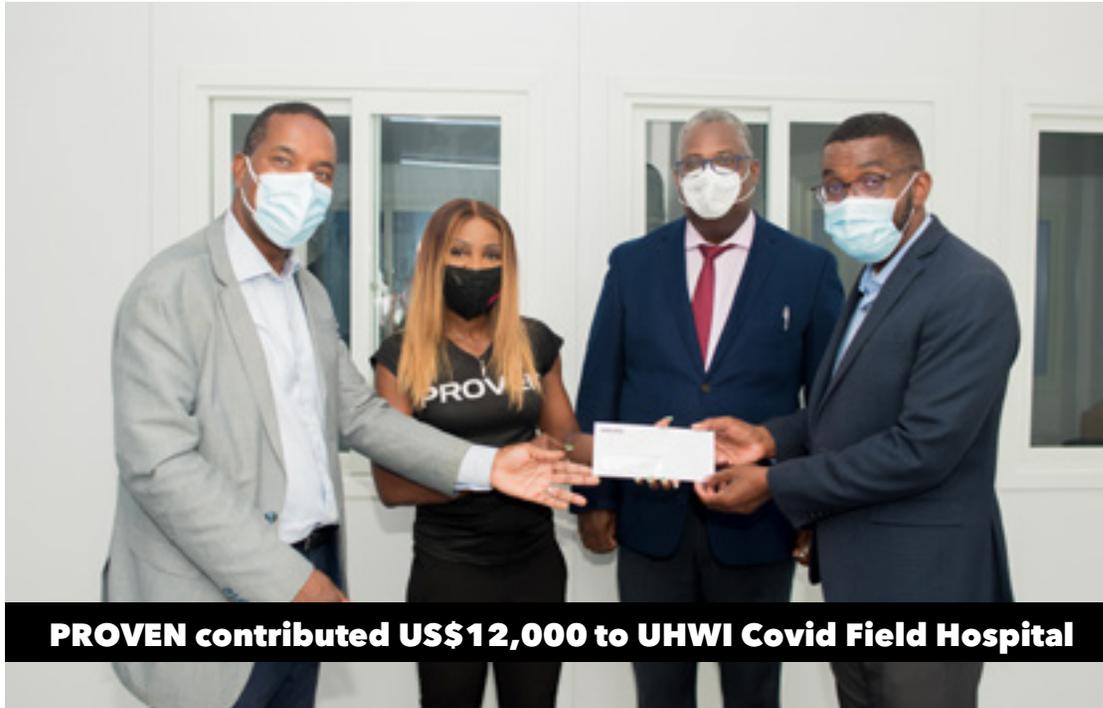
**US\$106,962**  
**Community Development**



**US\$11,297**  
**Education**  
 increased by 141%



**US\$9,249**  
**Entrepreneurship**



**PROVEN contributed US\$12,000 to UHWI Covid Field Hospital**

## COMMUNITY DEVELOPMENT

As our prominent area of support, funding focused on the continued and pressing needs faced by our healthcare sector. Despite the re-opening of the economy post-COVID, we must remain vigilant of our healthcare needs as well as the general repercussions of the pandemic. We partnered with the University Hospital of the West Indies' (UHWI) COVID-19 Field Hospital, the Private Sector Organisation of Jamaica's (PSOJ) vaccination project, and a health project with the Bustamante Hospital for Children.

Across these projects, PROVEN supported the addition of much-needed hospital beds as hospitalisations increased again; the promotion of reputable information regarding vaccinations island wide to help inform the general public; and access to critical life-saving paediatric procedures. We also contributed to the Jamaica Medical Foundation acquiring equipment, provided assistance to golden age homes, partnered with the Ministry of Education and Youth (MoEY) around Child's Month activities, and contributed to the national netball (Sunshine Girls) and football (Reggae Boyz) teams.

**It is our responsibility to contribute to the Caribbean's economic growth in any way possible.**



PROVEN partnered with the Rotary Club of St. Andrew North to donate a bus to the Jamaica Cancer Society.

## EDUCATION

The pandemic immensely impacted education at all levels, with many students left behind due to limited resources that stunted learning opportunities. The importance of access to technology became critical with the onset of the pandemic and school closures. Due to job losses and other financial constraints, scholarships also became even more desirous as increasing numbers of students and families required support. PROVEN had the pleasure of partnering with several entities to support technology resources and financial assistance to students.

These entities included the David Hunt Scholarship for high school boys attending Calabar and Kingston College; the University of the West Indies' (UWI) 5K run to support students in need; the Optimist Club's competition; and the Jamaica Association of the Deaf (JAD), which received donations of tablets and laptops to support students and teachers. In thanking PROVEN, the acting executive director, Mrs. Tisha Ewen-Smith stated,

*"This donation will undoubtedly improve the capacity of our teachers to prepare and deliver lessons to the Deaf and Hard of Hearing students in their care, and also improve the technological infrastructure of our schools. Students will also be able to access the online learning environment using the donated tablets thereby contributing to positive educational outcomes."*

## ENTREPRENEURSHIP

To support capacity building and the nurturing of wellness activities among entrepreneurs, we teamed up with three special projects. These included the Jamaica Customer Service Association's (JaCSA) customer service virtual workshop and seminar; wellness sessions led by Sharon Feanny, certified yoga teacher and wellness expert; and the Private Sector Organisation of Jamaica's (PSOJ) Finance Programme, which featured a session with Johann Heaven, PROVEN's President and CEO, as a panel presenter.

As we prepare for another year, the PROVEN team is confident that we remain on a trusted path of intentional growth that will continue to support the powerhouse of progress we strive for. We certainly do not foresee an easy way forward by any means, and know we must be vigilant in all we do as the world continues to expand and contract, often with little warning. But we persevere through the standards we established and uphold. We feel fortunate that our efforts allow us to continue supporting projects that align with our values and reflect in real time the change we want to see our communities, and nation by extension, achieve.

*Winning together will always be our guiding force. Let us never lose sight of the principles that direct our path to success - Performance, Integrity, Respect, and Teamwork.*



PROVEN donates computers & special tablets for the Jamaica Association of the Deaf (JAD) teachers and students



PROVEN is a proud sponsor of the Lupus Foundation- World Lupus Day (WLD), joining in building awareness and advocacy

# PROVEN

P L A C E

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**PROVEN**  
PROPERTIES

# Corporate Governance

The Board of Directors of PROVEN Group Limited strive to govern the company in a manner that is prudent and transparent and have adopted a governance structure that aligns to best practice. The Board is committed to the improvement of investor confidence, through the promotion of good governance in the performance of its duties that will assist the Company and its subsidiaries deliver long- term value to its shareholders.

## BOARD OF DIRECTORS

The Board of Directors has overall responsibility and accountability for the company's affairs by overseeing the strategic and operational direction of the Company. As stewards of the Company, the Board is ultimately responsible for ensuring that the Company and portfolio companies apply and establish the Corporate Governance policy. The Board provides the necessary oversight to the subsidiaries Board and their Committees to ensure that good corporate values are entrenched within the organisation as a whole, enhancing stakeholder value.

The responsibilities of the Board are separate and distinct from those of Management and include:

- Selecting individuals for Board membership and evaluating the performance of the Board, Board committees and individual directors
- Reviewing and monitoring implementation of strategic plans
- Reviewing and approving the annual operating plans and budgets
- Monitoring corporate performance and evaluating results compared to the strategic plans and other long-range goals
- Reviewing the financial controls and reporting systems
- Reviewing and approving the financial statements and financial reporting
- Reviewing the ethical standards and legal compliance programs and procedures
- Providing guidance and support to the management team

## BOARD COMPOSITION

The board is currently comprised of nine (9) directors and is chaired by Dr. the Hon. Hugh Hart O.J., LLD and Rhory McNamara was appointed Deputy Chairman on November 11, 2021. Our Directors possess diverse skill sets, experience and backgrounds which includes local and international experience in banking, business, strategic management, accounting, law and academia and are recognized as strong leaders in their respective fields. This enables them to provide strategic guidance and visionary leadership to the company and remain balanced and independent in the decision-making process. The board consist of nine (9) directors, of which seven (7) are independent directors. There were three (3) individuals who were appointed as Independent Non-executive Directors, effective February 10, 2022. These were Anya Chow

Chung, Neycha Soodeen and John-Paul Clarke. Additionally, there was one director, Yvor Nassief that resigned from the Board effective January 31, 2022.

A director is deemed independent where he /she:

- Has not been an employee of the Company or Group within the last five years;
- Has not, or has not had within the last three years, material business relationship with the Company, either directly, or as a partner, shareholder, Director or senior employee of a body that has such a relationship with the Company;
- Has not received or is receiving additional remuneration from the Company apart from Director's fee;
- Does not participate in the Company's share option plan or a performance-related pay scheme, or is not a member of the Company's pension scheme;
- Does not have close family ties with any of the Company's advisors, directors or senior employees;
- Does not hold cross-directorship or does not have significant links with other directors through involvement in other companies or bodies;
- Does not represent a significant shareholder; or
- Has not served on the board for more than nine years from the date of their first election.

A director is considered an executive director where the director is a member of the management team of the Company or its subsidiaries and affiliates. The Board consists of one (1) executive director.

Director	Executive	Independent
Hugh Hart	Non-executive	Not independent
Avinash Persaud	Non-executive	Independent
John Collins	Non-executive	Independent
Jeffrey Gellineau	Non-executive	Independent
Rhory McNamara	Non-executive	Independent
Garfield Sinclair	Executive	Not independent
Anya Chow Chung	Non-executive	Independent
Neycha Soodeen	Non-executive	Independent
John-Paul Clarke	Non-executive	Independent

#### BOARD MEETINGS

In order to perform its responsibilities as custodian of the business, the Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. Board members are required to attend board and assigned board committee meetings regularly and to prepare for and participate actively in those meetings. The contribution of their professional opinion and experience garners well for an environment that fosters open and effective debate. For the financial year ended March 2022, the board convened six (6) times, which were all regularly scheduled meetings. The attendance record of each of the directors for the Board meetings and the board committee meetings is listed as follows:

PIL Board Meetings 2021/2022						
	Apr 2021	Jun 2021	Jul 2021	Aug 2021	Nov 2021	Feb 2022
Hugh Hart	✓	✓	✓	✓	✓	✓
Avinash Persaud	✓	✓	✓	✓	✓	✓
John Collins	✗	✓	✓	✓	✓	✓
Jeffrey Gellineau	✓	✓	✓	✓	✓	✓
Rhory McNamara	✓	✓	✓	✓	✓	✓
Garfield Sinclair	✓	✗	✓	✓	✓	✓
Yvor Nassif	✗	✓	✓	✓	✓	✗

#### PIL Audit Committee Meetings 2021/2022

	Jun 2021	Aug 2021	Nov 2021	Feb 2022
Jeffrey Gellineau	✓	✓	✓	✓
Rhory McNamara	✓	✓	✓	✓
Garfield Sinclair	✗	✓	✓	✓
Yvor Nassif	✓	✓	✓	✗

#### BOARD TRAINING

Directors are required to improve and maintain the knowledge and skills necessary to discharge their duties and responsibilities fully and effectively. To maintain the knowledge and expertise required to better understand the operations of the Company and to properly discharge their role and function as Directors, annual AML /CFT Training is organized for Directors.

#### OVERSIGHT OF THE INVESTMENT MANAGERS - PROVEN MANAGEMENT LIMITED

PROVEN Management Limited ("PML") is domiciled in Jamaica and incorporated under the Companies Act. PML has been registered by the Financial Services Commission ("FSC") since October 8, 2009, to conduct activities in the regulated financial services industry as a Securities Dealer. The principal activity of PML is the investment management of the investment company PGL. PML is also responsible for managing the operations of PGL including identifying, analyzing, and negotiating potential investments, monetizing the performance of these investments and ensuring adherence to established policies and procedures of PGL.

The Investment Management Committee (IMC) of PGL was established by the Board of Directors of PML. The members of the IMC comprises mandatory invitees of all the senior managers of PML. Therefore, although PGL does not have any employees, PML has a full staff compliment which executes the operations for PGL.

As part of governance framework of PML, there are established internal policies and procedures, covering the operational, financial and regulatory framework within which it operates, including but not limited to:

- (a) Anti-Money Laundering, Counter Financing of Terrorism and Counter Proliferation Financing (AML/CFT/CPF)
- (b) Human Resources - that protects the safety and welfare of all employees (i.e., code of conduct and ethics, confidentiality, staff related allowances and benefits such as time-off leave, participation in an Employee Share Agreement)
- (c) Information Technology and Systems
- (d) Security Awareness and Cyber Security
- (e) Investment and Risk Management
- (f) Whistleblower

Annually all employees of PML are required to attend the job related specific training; and all employees and directors to attend AML/CFT/CPF training as stipulated by regulations.

### **BOARD EVALUATION**

The Board Charter sets out the requirements for a formal review of the performance of the Board at least annually. A review of the Board's performance was conducted on November 11, 2021.

The Board assessed the effectiveness of its performance through an annual questionnaire-based evaluation. The key issues covered include the size, composition, and independence of the board; director orientation and development; understanding of the business, including risks, oversight of the financial reporting process including internal controls and oversight of audit activities. It was determined from the evaluation performed that the Board and its Committee continued to operate effectively, and that each director contributed well to the discussions and strategy considerations.

### **BOARD COMMITTEE**

The Board delegates its powers and authorities from time to time to committees in order to ensure that operational efficiency and specific issues are being handled with relevant expertise.

The directors have delegated specific functions to a sub-committee, the Audit and Compliance Committee, to assist the Board in ensuring that there is independent oversight of internal control and risk management. The Audit and Compliance Committee is governed by a charter that outlines its role and responsibilities. The Chairman of the Audit and Compliance Committee reports to the Board on matters discussed at Committee meetings.

### **AUDIT AND COMPLIANCE COMMITTEE**

The committee comprises two independent non-executive directors and one executive director; whose role includes ensuring compliance with statutory and any relevant requirements for any public financial statement made by the company.

The Audit committee continues to play a key oversight role on behalf of the Board. The committee's functions include oversight of the internal audit and external audit process, risk management and assessing the company's level of compliance with legal and regulatory requirements. Details of the committee's responsibilities are outlined in the Audit and Compliance Committee Report on pages 55 to 56 of this Annual Report.

### **SHAREHOLDER AND STAKEHOLDER ENGAGEMENT**

The company is committed to maintaining and improving dialogue with shareholders. The Board continues to use the Annual General Meeting (AGM) as its principal opportunity to inform shareholders on the company's affairs. Participation and open discussion at the AGM are encouraged. Members of the Management company are required by the Board to attend the AGM to answer questions. Our shareholders and investors were updated on the Company's performance and plans at the Annual General Meeting (AGM) held on September 16, 2021.

### **SHAREHOLDER COMMUNICATION**

The Board recognizes the importance of communication with the Company's shareholders and aim to engage with shareholders transparently and regularly in order to facilitate a mutual understanding of our respective objectives. The annual general meeting of the Company provides an opportunity for face-to-face communication between the Board and the shareholders of the Company and promotes effective and open communication with all shareholders. Minutes of the annual general meeting, including the questions asked by stakeholders, are available to shareholders on request or at the subsequent AGM. Shareholders may also submit a request for a copy of the minutes via email to [info@weareproven.com](mailto:info@weareproven.com) and a copy will be emailed to them.

The Company makes extensive use of the Company's website to deliver up-to-date information to ensure that all shareholders have equal and timely access to important company information. The Company's website at [weareproven.com](http://weareproven.com) includes the latest information regarding the activities and publications of the Group in order to provide comprehensive information on. The Company's annual report is available on our corporate website as well as quarterly Investor updates on our financial performance and business highlights which are provided in our Shareholders magazine.

## DIRECTORS' COMPENSATION

Our Corporate Governance Code, recognize that levels of remuneration of a company's executives and board members should be sufficient to attract, retain and motivate persons of the quality required to support the success of the business. Employees who serve on Boards do not receive additional compensation for service performed in this capacity. The emoluments paid to directors for the financial year of US\$ 152,000 is shown in note 30 of the financial statements on pages 126 and 127 of this Annual Report.

Directors are compensated based on the number of Board and Audit Committee meetings they have attended.

## ETHICS

Underpinned by our core values of Integrity, Respect, Teamwork and Performance, PROVEN reinforces our commitment to ethical business conduct through our Code of Business ethics that is the hallmark of how we operate and do business. The policy ensures that:

### OUR MANAGEMENT TEAM

- Leads by Example by protecting the company's reputation for integrity and professionalism and by inspiring confidence and trust in our clients, shareholders, employees, and the wider community.
- Practices Prudent Management based on sound economic sense in order to safeguard stakeholders' investments and to secure satisfactory returns.
- Is Accountable to all stakeholders.
- Values their Employees - they are treated fairly, with dignity and judged solely on their ability to meet the job requirements. They ensure that the company is where the best people want to work.

### OUR EMPLOYEES

- Have a fundamental respect for each other irrespective of rank, social standing, or any other distinction.
- Have a duty to conduct and support their line manager in conducting business responsibly and in compliance with laws, regulations, codes, policies and procedures.
- Take their responsibilities seriously, are competent and honor their obligations to colleagues, clients and other business contacts.

### OUR CLIENTS

- Are treated equally. We do not practice favoritism regardless of net worth, societal status, personal or political associations. All clients deserve the same attention and best service we can provide.
- Benefit from their Association with us. We recognize that the client is our reason for being and thus we maintain high standards of customer service and respond to and anticipate the customer's needs.

**The Board possesses experience and backgrounds in banking, business, strategic management, accounting, law and academia**

### OUR SHAREHOLDERS

- Maximize their worth by providing competitive returns on their investment.
- Enhance the reputation of the company thereby creating value and strengthening the company's position in the market.
- Safeguard their assets using disciplined and informed management.
- Our Code of Business Conduct can be viewed in its entirety on our website at [weareproven.com](http://weareproven.com)

### WE VALUE YOUR OPINION

Your support and opinion are invaluable to us. We encourage you to share your suggestions and concerns with us. You can do so by emailing us at [info@weareproven.com](mailto:info@weareproven.com).

The Board of Directors has approved the aforementioned Corporate Governance Framework and Policy.

The Board's Corporate Governance policy can be viewed in its entirety on the company's website at [weareproven.com](http://weareproven.com)

# Audit & Compliance

## 2022 COMMITTEE REPORT

The Audit and Compliance Committee (ACC) (the "Committee ") is pleased to present their Report for the financial year ended March 2022.

We begin the report by firstly thanking Director Ivor Nassif who resigned from the Board in January 2022, for the exemplary service he gave as a member of the Committee and secondly, welcoming Director John- Paul Clarke as a member of the ACC. Director Clarke joined the ACC in February 2022, and his insights and expertise are a valuable addition to the Committee.

The Board has the ultimate authority for effective corporate governance, including the role of oversight of the management of the Company. The ACC continues to play a key role on behalf of the Board. The primary role of the ACC is to assist the Board in fulfilling its oversight responsibilities in areas such as the effectiveness of the risk management framework and system of internal controls, the integrity of the financial reporting process, as well as consideration of ethics and compliance matters. The Committee is entrusted to make recommendation to the Board on the appointment or reappointment of the external auditor and internal auditors.

The Committee consists of four (4) members and is chaired by Mr. Jeffrey Gellineau, a non-executive independent director who is a financial expert i.e., a qualified accountant or has significant recent and relevant financial expertise. The other members are financially literate in accordance with the Terms of Reference for the Committee.

The Committee met four (4) times during the year and executed its role and responsibilities as outlined in the charter that has been adopted. The attendance of the members to the meetings of the Audit and Compliance Committee is indicated on page 51 of this Annual Report.

During the year, the Committee, amongst its other duties:

- Assessed the independence, performance, and scope of the annual audit plan of the external auditors and recommended their approval to the Board;
- Approved the scope of the annual audit plan, completed by Internal Auditors and the related budget and staffing;
- Received briefings from the Internal Auditor on the effectiveness of the Company's risk management and internal control system and on the outcomes of significant audits and notable control matters.
- Reviewed the Finance, Compliance, Risk and Governance performance of the Company throughout the year and considered areas which required significant judgement, the sources of estimation uncertainty and other key assumptions in light of economic and market uncertainty.

The Board accepted the recommendations of the ACC whenever made by the Committee during the year.

The roles and responsibilities of the ACC, as set out in its Terms of Reference, are reviewed annually taking into account relevant regulatory changes and recommended best practice. The full mandate of the Audit and Compliance Committee as outlined in its Board-approved charter is reflected below:

### PURPOSE

The purpose of the Audit and Compliance Committee of the Board of Directors (the "Committee") is to assist the Board of Directors of PROVEN Investments Limited (hereinafter referred to as either "PROVEN " or "the Company") in fulfilling its oversight responsibilities for:

1. The integrity of the Company's financial statements.
2. The Company's policies, programmes and procedures to ensure compliance with the relevant legal and regulatory requirements, the Company's Code of Ethics and Conduct, policies, other relevant standards and best practice.
3. The Company's efforts to implement legal obligations arising from material agreements and undertakings.
4. The qualifications and independence of the Company's external auditors.
5. The performance of PROVEN's internal audit function and its external auditors.

## MEMBERSHIP

1. The Committee will consist of at least three and no more than nine members of the Board of Directors. The majority will not be officers or employees of the Company or any of its affiliates.
2. The Committee shall be chaired by a member who is a non-executive director.
3. No members shall participate in any issue in which that member has a direct personal, financial or business interest.
4. The members of the Committee and the Chair of the Committee, shall be appointed annually by the Board on the recommendation of the Nomination Committee of the Board. Members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.
5. Each Committee member will be financially literate. At least one member shall be designated as the “financial expert”, i.e. a qualified accountant or shall have significant recent and relevant financial experience.

## RESPONSIBILITIES

The Audit and Compliance Committee shall have the duty and responsibility to:

### 1. Financial Statements

- a. Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
  - Complex or unusual transactions and highly judgmental areas.
  - Major issues regarding accounting principles and financial statement presentations, including any significant changes in the
  - Company’s selection or application of accounting principles.
  - The effect of regulatory and accounting initiatives, as well as off-balance
  - sheet structures, on the financial statements of the Company.
- b. Review analyses prepared by management and/or the external auditor, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative international Accounting Standard methods on the financial statements.
- c. Review with management and the external auditors the results of the audit including any difficulties encountered. This review will include any restrictions on the scope of the external auditor’s

activities, or on access to requested information, and any significant disagreements with management.

- d. Review the annual financial statements and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- e. Understand how management develops interim financial information and the nature and extent of internal and external auditor involvement.

### 2. Internal Control

- a. Consider the effectiveness of the Company’s internal control system.
- b. Understand the scope of the internal and external auditors’ reviews of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.

### 3. Internal Audit

- a. Review the procedures established for the receipt, retention, and treatment of complaints received regarding accounting, internal accounting controls, or auditing matters; and the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters.
- b. Review the effectiveness of PROVEN ’s internal audit function, including compliance with the Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing.
- c. Meet separately with internal auditors, to discuss any matters that the Committee or Group internal audit believes should be discussed privately.

### 4. External Audit

- a. Review the external auditors’ proposed audit scope and approach including coordination of audit effort with internal audit.
- b. Review the performance of the external auditors, and exercise final approval on their appointment or discharge. In performing this review, the Committee will:
  - At least annually, obtain and review a report by the external auditor describing the firm’s internal quality-control procedures; any material issues raised by the most recent internal quality control review, or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the

preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the external auditor and the Company.

- Take into account the opinions of management and the internal audit.
  - Review and evaluate the lead partner of the external auditor.
  - Present its conclusions with respect to the external auditor to the Board.
- c. Consider the rotation of the lead audit partner every five years and other audit partners every seven years and consider whether there should be regular rotation of the audit firm itself.
  - d. On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or external auditors believe should be discussed privately.

## 5. Compliance

- a. Review the Company's policies, programmes and procedures for ensuring compliance with relevant legal and regulatory requirements, the Company's Code of Ethics and Conduct, other relevant standards, best practice and legal obligations, including those imposed by material agreements and undertakings.
- b. Review annually PROVEN 's Compliance Plan and assess the implementation of the plan during the period under review.
- c. Review the findings of any examinations by regulatory agencies and any auditor observations.
- d. Review the process for communicating the code of conduct to the Group's personnel and for monitoring compliance therewith.
- e. Review PROVEN 's compliance risk assessment plan.
- f. Investigate, or cause to be investigated, any significant instances of non-compliance or potential compliance violations that are reported to the Committee.
- g. Review any legal matters that could have a significant impact on the Company's financial statements, compliance with applicable laws and regulations, as well as inquiries received from regulators and government agencies.
- h. Meet separately with the Head of the Finance/Compliance Department to discuss compliance matters and to receive regular updates on compliance matters in relation to the Company's business and to discuss any matters that the Committee believes should be discussed privately.

## 6. Reporting Responsibilities

- a. Report to the Board of Directors about the Committee's activities and issues that arise, with respect to the quality or integrity of the Company's financial statements; the Company's compliance with legal or regulatory requirements; its, policies, relevant standards and best practice; the performance and independence of the Company's external auditors and the performance of the PROVEN 's internal audit function.
- b. Provide an open avenue of communication between internal auditors, the external auditors, and the Board of Directors and between PROVEN 's and the Company's compliance functions and the Board of Directors.
- c. Review any other reports that relate to committee responsibilities.
- d. Report to the Board of Directors any matter for which action or improvement is needed and make recommendations as to the steps to be taken.

## 7. Other Responsibilities

- a. Discuss with management the Company's major policies with respect to risk assessment and risk management.
- b. Perform other activities related to this charter as requested by the Board of Directors.
- c. Institute and oversee special investigations as needed.
- d. Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes and ensure appropriate disclosure as may be required by law or regulation.
- e. Confirm (annually) that all responsibilities outlined in this charter have been carried out.

PROVEN INVESTMENTS LIMITED

# Consolidated Financial Statements

**KPMG**

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No. 2 Bella Rosa Road  
Gros Islet  
Saint Lucia  
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## INDEPENDENT AUDITORS' REPORT

To the Members of  
PROVEN INVESTMENTS LIMITED

*Opinion*

We have audited the consolidated financial statements of Proven Investments Limited ("the Company") and its subsidiaries ("the Group") set out on pages 67 to 155, which comprise the consolidated statement of financial position as at March 31, 2022, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and the Group's consolidated financial performance and the Group's consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Saint Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG in Barbados and the Eastern Caribbean, a partnership registered in Barbados, Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Accounting for the acquisitions of subsidiaries during the year*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The group acquired shareholdings in three entities as subsidiary transactions during the year. Accounting for these acquisitions required significant judgement and estimation to determine the fair value of acquirees as an enterprise; the net assets acquired; non-controlling interest; and the goodwill or bargain purchase arising on the transaction, in accordance with IFRS 3 <i>Business Combinations</i>. The determination of fair values involved judgment in the application of discounted cash flow analysis, including the projected cash flows, discount rates reflecting the business risk and capital structure. These measurements, being judgemental, are therefore, subject to higher risk of error.</p> <p><i>See note 13 of the Financial Statements.</i></p>	<p>In performing our audit in respect of this matter, we did the following:</p> <ul style="list-style-type: none"> <li>• Involved our own valuation specialists in challenging the valuation methodologies and assumptions used by management's valuation expert to identify and measure the enterprise value and net assets, including intangible assets and investment securities;</li> <li>• Tested the mathematical accuracy of the calculations performed by management's expert and which formed the basis of accounting measurement for the transaction;</li> <li>• Assessed the adequacy of the disclosures of the key assumptions and judgements for compliance with IFRS 3 <i>Business Combinations</i>.</li> </ul>



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Key Audit Matters (Continued)*

2. *Measurement of Expected Credit Losses on Financial Assets*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The determination of expected credit losses ('ECL') on financial assets is highly subjective and requires management to apply significant judgement and make significant estimates.</p> <p>The key areas requiring greater management judgement include the identification of significant increases in credit risk ('SICR'), the determination of probability of default, loss given default, exposure at default, management overlay and the application of forward-looking information.</p> <p>Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL calculations, which increases the risk of a material misstatement.</p> <p>Therefore, the impairment of financial assets has a high degree of estimation uncertainty.</p> <p><i>See notes 3(j) and 37(b) of the consolidated financial statements</i></p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the models used by management for the calculation of expected credit losses on financial assets.</li> <li>• Tested the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis.</li> <li>• Involved our financial risk modelling specialists to evaluate the appropriateness of the Group's impairment methodologies, including the criteria used to determine significant increases in credit risk and independently assessed the assumptions for probability of default, loss given default and exposure at default.</li> <li>• Involved our financial risk modelling specialists to evaluate the appropriateness of the Group's methodology for incorporating forward-looking information and management overlays, and the economic scenarios used along with the probability weightings applied to them.</li> <li>• Assessed the adequacy of the disclosures of the key assumptions and judgements for compliance with IFRS 9.</li> </ul>



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Key Audit Matters (Continued)*

3. *Impairment of intangible assets and investment in associates*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The carrying value of the Group's intangible assets, including goodwill as well as its investment in associated companies, may not be recoverable due to changes in the business and economic environment in which the relevant investees operate. These factors create inherent uncertainty in forecasting and require significant judgement in estimating and discounting future cash flows that support the assessment of recoverability.</p> <p>See notes 3(g), 12 and 14 of the consolidated financial statements</p>	<p>Our audit response included:</p> <ul style="list-style-type: none"> <li>• Evaluating whether there were indicators of impairment of the investments, considering market prices, the economic environment and business performance of each subsidiary and associate.</li> </ul> <p>Testing the reasonableness of the Group's forecasts and discounted cash flow calculations, including use of our enterprise valuation specialists to evaluate the assumptions and methodologies used by management and to test the mathematical accuracy of the calculations.</p> <ul style="list-style-type: none"> <li>• Comparing the Group's assumptions to externally derived data as well as our own assessments of key inputs, such as economic factors, cost inflation and discount rates, as well as performing sensitivity analysis on the assumptions.</li> <li>• Comparing the sum of the discounted cash flows to the investees' market capitalisation, where applicable and our understanding of the market conditions, to assess the reasonableness of those cash flows.</li> </ul>



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Key Audit Matters (Continued)*3. *Impairment of intangible assets and investment in associates (continued)*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
	<p>Our audit response included continued):</p> <p>Assessing the adequacy of the Group's disclosures about the key assumptions and the sensitivity of the impairment assessments to changes in key assumptions.</p>

4. *Valuation of investment securities*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The valuation of the Group's investment securities requires significant estimation, which is impacted by uncertainty of market factors. These market or economic conditions either has a direct impact on the Fair value measurement if fair value is determined based on market prices, or indirectly if a valuation technique is based on inputs that are derived from the market.</p> <p><i>See notes 3(b), 5 and 38 of the consolidated financial statements.</i></p>	<p>In performing our audit in respect of this matter, we did the following:</p> <ul style="list-style-type: none"> <li>Involved our valuation specialists in challenging the valuation methodologies and assumptions used by management to determine the fair value of investment securities. This included independent computations and comparison of the fair value of structured notes.</li> <li>Reviewed management's assessment and considered whether impairment is appropriately considered and reflected in the measurement of investments.</li> <li>Assessed the adequacy of the Group's disclosures about fair value measurements and the sensitivity of the fair values to changes in key assumptions.</li> </ul>



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix of this auditors' report. This description, which is located at pages 65–66, forms part of our auditors' report.

The engagement partner on the audit resulting in this independent auditors' report is Lisa Brathwaite.

A handwritten signature in black ink, appearing to read 'KPMG' or a similar name, written in a cursive style.

Chartered Accountants  
Castries  
Saint Lucia

June 29, 2022



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

### **Appendix to the Independent Auditors' report**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

**Appendix to the Independent Auditors' report (continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

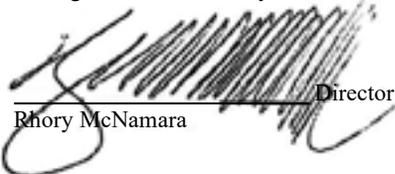
## PROVEN INVESTMENTS LIMITED

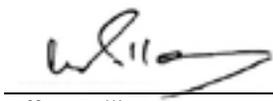
**Consolidated Statement of Financial Position**

As of March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
<b>ASSETS</b>			
Cash and cash equivalents	3(c)(ii)	286,147	151,859
Resale agreements	4	8,237	6,458
Owed by related party		275	-
Investment securities	5	335,192	265,291
Assets held for sale		-	266
Loans receivable	6	207,376	31,962
Trade and other assets	7	22,963	13,994
Inventories	8	7,972	-
Property development in progress	9	38,378	23,087
Income tax recoverable		403	235
Property, plant and equipment	10	31,359	4,014
Investment property	11	14,841	10,678
Intangible assets	12	46,370	20,441
Investment in associates	14	140,512	146,174
Pension fund asset	15(a)	709	-
Deferred tax asset	16	<u>1,041</u>	<u>83</u>
Total assets		<u>1,141,775</u>	<u>674,542</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Repurchase agreements	17	67,243	68,318
Owed to related parties	18	662	1,548
Due to banks		520	520
Due to customers	19	661,493	286,293
Notes payable	20	210,768	134,845
Current income tax payable		346	792
Other liabilities	21	21,770	6,877
Defined benefit obligations	15(b)	912	-
Deferred income		9,319	3,910
Lease liabilities	22	1,679	2,013
Preference shares	23	<u>1</u>	<u>1</u>
Total liabilities		<u>974,713</u>	<u>505,117</u>
<b>Stockholders' equity</b>			
Share capital	24	115,754	115,754
Fair value reserve	25	( 21,971)	6,867
Foreign exchange translation reserve	26	5,729	2,783
Retained earnings		<u>43,126</u>	<u>36,277</u>
Equity attributable to owners of the Company		142,638	161,681
Non-controlling interest	27	<u>24,424</u>	<u>7,744</u>
Total stockholders' equity		<u>167,062</u>	<u>169,425</u>
Total liabilities and stockholders' equity		<u>1,141,775</u>	<u>674,542</u>

The financial statements on pages 67 to 155 were approved for issue by the Board of Directors on June 29, 2022 and signed on its behalf by:

  
Rhory McNamara Director

  
Jeffrey Gellineau Director

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
<b>Net interest income, calculated using the effective interest method</b>			
Interest income	28	12,639	10,582
Interest expense	28	(7,558)	(7,545)
		<u>5,081</u>	<u>3,037</u>
<b>Gross profit on manufacturing operations</b>			
Gross revenue		53,694	-
Cost of sales		(37,901)	-
		<u>15,793</u>	<u>-</u>
Fees and commissions		9,296	7,802
Net fair value adjustments and realised gains	29	2,249	7,332
Dividends		204	42
Net foreign exchange gains		830	1,880
Pension management income		<u>3,338</u>	<u>3,174</u>
		<u>15,917</u>	<u>20,230</u>
<b>Operating revenue, net</b>		36,791	23,267
Other income		4,688	3,682
Loss on disposal of associate	14	(23)	-
Bargain purchase gain on acquisition of subsidiary	13(a)	<u>4,563</u>	<u>-</u>
		<u>46,019</u>	<u>26,949</u>
<b>Operating expenses</b>			
Staff costs	30	14,918	9,581
Depreciation and amortisation	10,12	3,372	1,868
Impairment loss/(reversal) on financial instruments		1,216	(417)
Property expenses		34	1,146
Other operating expenses	31	<u>23,062</u>	<u>8,598</u>
Total		<u>42,602</u>	<u>20,776</u>
<b>Operating profit</b>		3,417	6,173
Preference share dividend	33(f)	(2,556)	(2,743)
Share of profit of associates	14	<u>15,784</u>	<u>10,699</u>
<b>Profit before income tax</b>		16,645	14,129
<b>Income tax charge</b>	32	(1,165)	(1,032)
<b>Profit for the year</b>		<u>15,480</u>	<u>13,097</u>
Profit attributable to:			
Owners of the company		12,537	11,532
Non-controlling interest	27	<u>2,943</u>	<u>1,565</u>
Profit for the year		<u>15,480</u>	<u>13,097</u>
Earnings per stock unit	34	<u>1.65¢</u>	<u>1.81¢</u>

## PROVEN INVESTMENTS LIMITED

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
<b>Profit for the year</b>		<u>15,480</u>	<u>13,097</u>
<b>Other comprehensive (loss)/income</b>			
Items that are or may be reclassified to profit or loss:			
Realised (gains)/losses on securities at FVOCI		( 119)	4,676
Unrealised (losses)/ gains on securities at FVOCI		(11,092)	2,872
Deferred tax on fair value adjustment on securities at FVOCI and ECL		983	( 841)
Remeasurement of employee benefit assets and obligations		953	-
Deferred tax on employee benefit assets and obligations		( 29)	-
Exchange differences on translation of foreign operations		1,245	3,947
Share of other comprehensive (loss)/income in associates		<u>(18,917)</u>	<u>17,180</u>
Total other comprehensive (loss)/income		<u>(26,976)</u>	<u>27,834</u>
Total comprehensive (loss)/income for the year		<u>(11,496)</u>	<u>40,931</u>
Other comprehensive (loss)/ income attributable to:			
Owners of the company		(25,425)	27,137
Non- controlling interest		<u>( 1,551)</u>	<u> 697</u>
		<u>(26,976)</u>	<u>27,834</u>
Total comprehensive income attributable to:			
Owners of the company		(12,888)	38,669
Non-controlling interest	27	<u> 1,392</u>	<u> 2,262</u>
Profit for the year		<u>(11,496)</u>	<u>40,931</u>

# Consolidated Statement of Changes in Equity

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	Share capital \$'000 (Note 24)	Fair value reserve \$'000 (Note 25)	Foreign exchange translation reserve \$'000 (Note 26)	Retained earnings \$'000	Attributable to equity holders of the Company \$'000	Non- controlling interest \$'000 (Note 27)	Total \$'000
<b>Balances at March 31, 2020</b>	<b><u>86,716</u></b>	<b><u>(14,865)</u></b>	<b><u>( 2,622)</u></b>	<b><u>29,781</u></b>	<b><u>99,010</u></b>	<b><u>6,410</u></b>	<b><u>105,420</u></b>
<b>Total comprehensive income for 2021</b>							
Profit for the year	-	-	-	11,532	11,532	1,565	13,097
Other comprehensive income for the year							
Foreign exchange differences on translation of foreign subsidiary's financial statements	-	-	3,947	-	3,947	-	3,947
Realised gain on securities at FVOCI	-	4,770	-	-	4,770	-	4,770
Unrealised loss on debt securities at FVOCI	-	2,175	-	-	2,175	697	2,872
Deferred tax credit on fair value adjustments	-	( 935)	-	-	( 935)	-	( 935)
Share of associates' other comprehensive income	-	15,722	1,458	-	17,180	-	17,180
Other comprehensive income for year, net of tax	-	21,732	5,405	-	27,137	697	27,834
<b>Total comprehensive income for the year</b>	<b>-</b>	<b><u>21,732</u></b>	<b><u>5,405</u></b>	<b><u>11,532</u></b>	<b><u>38,669</u></b>	<b><u>2,262</u></b>	<b><u>40,931</u></b>
<b>Transactions with owners recorded directly in equity</b>							
Issue at new shares [Note 24(a)]	29,038	-	-	-	29,038	-	29,038
Dividends to equity holders (Note 35)	-	-	-	( 5,036)	( 5,036)	( 928)	( 5,964)
<b>Balances at March 31, 2021</b>	<b><u>115,754</u></b>	<b><u>6,867</u></b>	<b><u>2,783</u></b>	<b><u>36,277</u></b>	<b><u>161,681</u></b>	<b><u>7,744</u></b>	<b><u>169,425</u></b>
<b>Total comprehensive income for 2022</b>							
Profit for the year	-	-	-	12,537	12,537	2,943	15,480
Other comprehensive loss for the year							
Foreign exchange differences on translation of foreign subsidiary's financial statements	-	-	1,245	-	1,245	-	1,245
Realised gain on securities at FVOCI	-	( 119)	-	-	( 119)	-	( 119)
Unrealised loss on debt securities at FVOCI	-	( 9,084)	-	-	( 9,084)	( 2,008)	( 11,092)
Deferred tax credit on fair value adjustments	-	983	-	-	983	-	983
Remeasurement of employee benefit assets	-	-	-	481	481	472	953
Deferred tax on employee benefit assets	-	-	-	( 14)	( 14)	( 15)	( 29)
Share of associates' other comprehensive loss	-	(20,618)	1,701	-	( 18,917)	-	( 18,917)
Other comprehensive income/ (loss) for year, net of tax	-	(28,838)	2,946	467	( 25,425)	( 1,551)	( 26,976)
<b>Total comprehensive loss</b>	<b>-</b>	<b><u>(28,838)</u></b>	<b><u>2,946</u></b>	<b><u>13,004</u></b>	<b><u>( 12,888)</u></b>	<b><u>1,392</u></b>	<b><u>( 11,496)</u></b>
<b>Transactions with owners recorded directly in equity</b>							
Dividends to equity holders (Note 35)	-	-	-	( 6,155)	( 6,155)	( 1,119)	( 7,274)
Non-controlling interest arising on Business combination	-	-	-	-	-	16,407	16,407
<b>Balances at March 31, 2022</b>	<b><u>115,754</u></b>	<b><u>(21,971)</u></b>	<b><u>5,729</u></b>	<b><u>43,126</u></b>	<b><u>142,638</u></b>	<b><u>24,424</u></b>	<b><u>167,062</u></b>

## PROVEN INVESTMENTS LIMITED

**Consolidated Statement of Cash Flows**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		15,480	13,097
Adjustments for:			
Depreciation	10	1,549	752
Amortisation	12	1,823	1,116
Interest income	28	(12,639)	(10,582)
Interest expense	28	7,558	7,545
Dividend income		( 204)	( 42)
Impairment loss/(reversal) in loans and other assets		20	( 21)
Impairment loss/(reversal) on investments		1,196	( 396)
Impairment of associate	14	830	-
Impairment of intangible assets	12	353	-
Share of profit of associates	14	(15,784)	(10,699)
Fair value adjustment on investment property	29	( 624)	( 951)
Unrealised fair value on investments	29	648	( 1,254)
Loss on disposal of associate	14(i)	23	-
Bargain purchase	13(a)	( 4,563)	-
Unrealised foreign exchange gain		( 830)	( 1,880)
Income tax charge	32	<u>1,165</u>	<u>1,032</u>
		( 3,999)	( 2,283)
Change in operating assets and liabilities			
Investment securities		13,712	37,278
Loans receivable		(10,110)	( 3,086)
Other assets		3,986	( 1,087)
Other liabilities		( 746)	488
Due to customers		58,922	35,861
Due to other banks		-	100
Inventories		( 2,703)	-
Repurchase agreements		( 1,075)	( 9,291)
Resale agreements		( 1,779)	( 716)
Owed to related party		( 866)	616
Owed by related party		( 275)	-
Deferred income		5,409	2,097
Development in progress		<u>(14,513)</u>	<u>( 8,039)</u>
		45,943	51,938
Interest received		12,285	11,255
Dividend received		204	42
Interest paid		( 7,291)	( 7,810)
Income tax paid		<u>( 1,646)</u>	<u>( 1,479)</u>
Net cash provided by operating activities		<u>49,495</u>	<u>53,946</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		-	69
Proceeds from disposal of associate		480	-
Purchase of investment property		( 4,315)	( 930)
Purchase of property, plant and equipment	10	( 2,289)	( 767)
Acquisition of subsidiaries, net of cash received	13	25,679	-
Purchase of intangible asset	12	<u>( 915)</u>	<u>( 2,321)</u>
Net cash provided/(used) by investing activities		<u>18,640</u>	<u>( 3,949)</u>
<b>Net cash flows provided by operating and investing activities (carried forward to page 72)</b>		<u>68,135</u>	<u>49,997</u>

The accompanying notes form an integral part of the financial statements

**2021 | FINANCIALS**

## Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
<b>Net cash flows provided by operating and investing activities (brought forward from page 71)</b>		<u>68,135</u>	<u>49,997</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	24 (a)	-	29,038
Translation adjustment in respect of foreign subsidiaries		-	4,261
Notes payable		73,758	( 19,658)
Payment of lease liabilities	22	( 331)	( 444)
Dividends paid		<u>( 7,274)</u>	<u>( 5,964)</u>
Net cash provided by financing activities		<u>66,153</u>	<u>7,233</u>
<b>Net increase in cash and cash equivalents</b>		134,288	57,230
Cash and cash equivalents at beginning of year		<u>151,859</u>	<u>94,629</u>
<b>Cash and cash equivalents at end of year</b>		<u>286,147</u>	<u>151,859</u>

## PROVEN INVESTMENTS LIMITED

# Notes to the Consolidated Financial Statements

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

## 1. Identification

Proven Investments Limited (“the Company”) is incorporated and domiciled in Saint Lucia under the International Business Companies Act, with registered office at 20 Micoud Street, Castries, Saint Lucia. The Company is controlled by MPS Holdings Limited by virtue of the rights associated with the manager’s preference shares (see note 23). The Company’s shares are listed on the Jamaica Stock Exchange.

The primary activities of the Company are the holding of tradable securities for investment purposes and holding equity in investments. Proven Management Limited (PML), a Jamaican limited liability company, is responsible for managing the operations of the Company including identifying analysing and negotiating potential investments and monetising the performance of these investments. Management fees are paid to PML at a rate of 2% of the average Consolidated Net Asset Value of the Company, together with general consumption tax, if applicable, for services provided [see note 33 (c)].

The Company has the following subsidiaries and associated companies:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of Business</u>	<u>Percentage ownership</u>	
			<u>2022</u>	<u>2021</u>
Fidelity Bank (Cayman) Limited (see note 13)	Cayman	Retail Banking Services	100	-
Fidelity Properties Limited	Islands			
WBR Properties Limited	Cayman	Real estate investment	100	-
	Islands			
Roberts Manufacturing Company Limited (see note 13)	Barbados	Production and distribution of animal feed	50.5	-
Pinnacle Feeds Limited	Barbados	Production and distribution of animal feed	60	-
Heritage Education Funds International Inc (see note 13)	Canada	Scholarship Trust plans	100	-
Boslil Bank Limited	Saint Lucia	Private Banking	75	75
Boslil International Holdings Limited	Saint Lucia	Holding company	100	100
		Structured finance services		
Boslil Bond Fund Limited	Saint Lucia	investment management	100	100
Boslil Equity Fund Limited	Saint Lucia	Private mutual fund	100	100
Boslil Secretarial Services	Saint Lucia	Private secretarial services	100	100
Boslil Corporate Services Limited	Saint Lucia	Registered agent services	100	100
Boslil Finance Limited	Saint Lucia	Structured finance services		
		investment management	100	100
Boslil Sudamenco S.A.	Uruguay	Market research translation and business development services	100	100
Proven Wealth Limited	Jamaica	Fund management, investment advisory services, pension fund management and money market and equity trading	100	100
International Financial Planning Jamaica Limited	Jamaica	Fund management	100	100
International Financial Planning (Cayman Limited)	Cayman			
IFP Cayman Ltd	Islands	Investment advisory services	100	100
	Cayman			
IFP BVI Limited	Islands	Investment advisory services	100	100
	British Virgin			
IFP Bermuda Limited	Islands	Investment advisory services	100	100
Asset Management Company Limited	Bermuda	Investment advisory services	100	100
	Jamaica	Hire purchase financing	100	100

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 1. Identification (continued)

The Company has the following subsidiaries and associated companies (continued):

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of Business</u>	<u>Percentage ownership</u>	
			<u>2022</u>	<u>2021</u>
Proven Properties Limited (formerly Real Properties Limited)	Saint Lucia	Real estate investment	100	100
Proven Kingsway Limited	Saint Lucia	Real estate investment	100	100
Real Millsborough Limited	Saint Lucia	Real estate investment	100	100
Real Bloomfield Limited	Saint Lucia	Real estate investment	100	100
Real PP Limited	Saint Lucia	Real estate investment	100	100
Real 53 NPW Limited	Saint Lucia	Real estate investment	100	100
GIAU A1	Saint Lucia	Real estate investment	100	100
Real PP2 Limited	Saint Lucia	Real estate investment	100	100
Real Braemar	Saint Lucia	Real estate investment	100	100
Real Milford	Saint Lucia	Real estate investment	100	100
Real West Kings	Saint Lucia	Real estate investment	100	100
Real Gladstone Limited	Saint Lucia	Real estate investment	60	60
SKILLEX	Jamaica	Real estate investment	60	60
Grove Park Limited	Saint Lucia	Real estate investment	52	52
Omega Bay	Cayman	Real estate investment	40	40
Proven Reit Limited	Jamaica	Management services	100	100
Proven Holdings Limited	St. Lucia	Holding company	100	100
<u>Associate companies</u>				
JMMB Group Limited	Jamaica	Investment management and banking services	20	20
Dream Entertainment Limited [note 14 (i)]	Jamaica	Entertainment	-	20
Access Financial Services Limited	Jamaica	Retail lending	24.72	24.72

### 2. Basis of preparation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

#### **New and amended standards that became effective during the year:**

Certain new and amended standards came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements. None of these new pronouncements resulted in any significant change to the amounts recognised or disclosed in the financial statements.

#### **New and amended standards that are not yet effective:**

At the date of authorisation of these financial statements, certain new and amended standards have been issued which were not effective for the current year and which the Group has not early-adopted.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 2. Basis of preparation (continued)

#### (a) Statement of compliance (continued)

##### **New and amended standards that are not yet effective (continued):**

The Group has assessed them with respect to its operations and has determined that the following are relevant:

- (i) Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is effective for annual reporting periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Group does not expect the amendment to have a significant impact on its 2023 financial statements.

- (ii) Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and are effective for annual reporting periods beginning on or after January 1, 2022.

1) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

2) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The Group does not expect the amendment to have a significant impact on its 2023 financial statements.

- (iii) Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

2. Basis of preparation (continued)

(a) Statement of compliance

**New and amended standards that are not yet effective (continued):**

(iii) Amendments to IAS 1 *Presentation of Financial Statements* (continued)

Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. As part of its amendments, the standard requires that a right to defer settlement must have substance and exist at the end of the reporting period, rather than be unconditional. It has now been clarified that a right to defer exists only if the reporting entity complies with conditions specified in the loan agreement at the reporting date, even if the lender does not test compliance until a later date.

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how an entity classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involves a transfer of the entity's own equity instruments, these would affect its classification as current or non-current. It has been clarified that a reporting entity can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Group does not expect the amendment to have a significant impact on its 2024 financial statements.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the inclusion of financial assets and investment property at fair value.

(c) Functional and presentation currency

The financial statements are presented in United States dollars (USD), which is the functional currency of the Company, rounded to the nearest thousand, unless otherwise indicated. The financial statements of those subsidiaries which have other functional currencies, are translated into USD in the manner set out in note 3(h)(ii).

(d) Estimates critical to reported amounts, and judgements made in applying accounting policies:

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 2. Basis of preparation (continued)

- (d) Estimates critical to reported amounts, and judgements made in applying accounting policies (continued):

The estimates, and the assumptions underlying them, as well as the judgements are reviewed on an ongoing 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.

Estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year and judgements that have a significant effect on the amounts recognised in the financial statements, include the following:

- (i) Key sources of estimation uncertainty

(1) Impairment of financial assets:

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in notes 3(i) and 37(b).

(2) Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets. Accordingly, fair values of such assets are estimated using prices obtained from a yield curve. The yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach; the fair values determined in this way are classified as Level 2 fair values. Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. The estimates of fair value arrived at from these sources may be significantly different from the actual price of the instrument in an actual arm's length transaction (see notes 5 and 38).

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 2. Basis of preparation (continued)

- (d) Estimates critical to reported amounts, and judgements made in applying accounting policies (continued):

(3) Impairment of goodwill, other intangible assets and investment in associates

Impairment of goodwill, other intangibles and investment in associates is dependent upon management's internal assessment of future cash flows from the cash-generating units that gave rise to the goodwill and intangible assets or for the purposes of determining the value in use of the associate. Those internal assessments determine the amount recoverable from the cash generating units and are sensitive to the discount rates used, as well as the economic assumptions of growth (see notes 12 and 14).

(4) Acquisition of subsidiaries

Fair value of the considerations transferred and the fair value of the assets acquired and liabilities assumed are measured on a provisional basis [see notes 3 (a) (i) and 13].

(ii) Critical judgements in applying the Group's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles in IFRS.

Management is also required to make critical judgements in applying accounting policies. These include the following judgements:

- Whether the criteria for classifying financial assets are appropriately applied. For example, the determination of whether a security may be classified as at "fair value through profit or loss (FVTPL)", "fair value through other comprehensive income (FVOCI)" or "amortised cost" (note 5) or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy (note 38) requires judgement as to whether a market is active [see note 3(b)].
- In determining whether the Group has control or significant influence over an investee and how to account for that investee, management considers the percentage of the investee's share capital that it holds and makes judgements about other relevant factors affecting control or significant influence over the relevant activities of the investee [see notes 2 (d) (4), 3(a), 12, 13 and 14].

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies

#### (a) Basis of consolidation:

##### (i) Business combinations

Business combinations are accounted for using the acquisition method at the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a bargain purchase gain is recognised in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### (ii) Subsidiaries

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the relevant activities of the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### (iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquirees' identifiable net assets at the date of acquisition, plus accumulated share of changes in equity of the relevant subsidiary. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (a) Basis of consolidation (continued):

##### (iv) Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating decisions. Interest in associates is accounted for using the equity method.

They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to Nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations, or made payments on behalf of an associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of accumulated losses not recognised.

##### (v) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of a subsidiary and any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

##### (vi) Transactions eliminated on consolidation

Balances and transactions between entities within the Group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### (b) Financial instruments – Classification, recognition and de-recognition, and measurement

##### (i) Classification of financial assets

In applying IFRS 9, the Group classifies its financial assets in the following measurement categories:

- a. Fair value through profit or loss (FVTPL);
- b. Fair value through other comprehensive income (FVOCI); or
- c. Amortised cost.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

3. Significant accounting policies (continued)
  - (b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)
    - (i) Classification of financial assets (continued)

The classification requirements for debt and equity instruments are described below:

### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

*Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 37(b). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

*Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect, on an investment-by-investment basis, to present subsequent changes in the investment's fair value in OCI.

*Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss within 'Net fair value adjustments and realised gains' in the period in which it arises. Interest income from these financial assets is included in interest income using the effective interest method.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

### *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

##### (i) Classification of financial assets (continued)

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories (continued):

##### *Equity instruments (continued)*

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Gains and losses on equity investments at FVTPL are included in the 'Net fair value adjustments and realised gains' caption in the statement of profit or loss.

##### *Business model assessment*

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Group in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the assets' performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

*Solely payments of principal and interest (SPPI):* Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

##### (i) Classification of financial assets (continued)

###### *Business model assessment (continued)*

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

##### (ii) Recognition and derecognition - non-derivative financial assets and financial liabilities

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The Group initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership but does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

##### (iii) Financial liabilities

The Group classifies non-derivative financial liabilities into the “other financial liabilities” category. These are measured at amortised cost.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (b) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

##### (iv) Measurement of gains and losses on financial assets

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income calculated using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss.

Gains and losses on equity instruments classified at FVOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

#### (c) Financial instruments - Other

##### (i) Non-trading derivatives

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, interest rates, foreign exchange, or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group makes use of derivatives to manage its own exposure to foreign exchange and interest rate risk.

The Group evaluates financial instruments which it acquires or issues to determine whether derivatives are embedded in any of the contracts (making it a “host contract”). The Group accounts for an embedded derivative separately from the host contract when (i) the host contract is not itself carried at fair value through profit or loss, (ii) the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and (iii) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract. When an embedded derivative cannot be separated from the host contract, the entire contract is designated as at fair value through profit or loss.

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (c) Financial instruments – Other (continued)

##### (ii) Cash and cash equivalents

Cash comprises cash in hand and call deposits. Cash equivalents are short-term, highly liquid financial assets that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. These include certificates of deposit where the maturities do not exceed three months from the date of acquisition.

Cash and cash equivalents are measured at amortised cost.

##### (iii) Other assets

Other assets are measured at amortised cost less impairment losses.

##### (iv) Guarantees and letters of credit

A financial guarantee is a contract that contingently requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument. Guarantees include standby letters of credit, letters of guarantee, indemnifications, or other similar contracts.

Financial guarantees are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Management has determined that the amounts initially recognised are immaterial to the financial statements.

The Group's commitments under acceptances, guarantees and letters of credit as at March 31, 2022, total \$8,393,000 (2021: \$8,178,000 ). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

##### (v) Other liabilities

Other liabilities are measured at amortised cost.

##### (vi) Resale and repurchase agreements

Resale agreements are accounted for as short-term collateralised lending and are classified at amortised cost. On initial recognition they are measured at fair value. Subsequent to initial recognition they are measured at amortised cost. The difference between the purchase cost and the resale consideration is recognised in profit or loss as interest income using the effective interest method.

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

3. Significant accounting policies (continued)

## (c) Financial instruments – Other (continued)

## (vi) Resale and repurchase agreements (continued)

Repurchase agreements are accounted for as short-term collateralised borrowing, and are classified as other liabilities. On initial recognition and subsequently, the securities given as collateral are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. The difference between the sale consideration and the repurchase cost is recognised in profit or loss over the life of each agreement as interest expense using the effective interest method.

## (vii) 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. Preference share capital is classified as:

- (1) equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary, in which case, dividends thereon are recognised as distributions within equity;
- (2) liability if it is redeemable on a specific date or at the option of the holders, or if dividends are not discretionary, in which case, dividends thereon are recognised as interest in profit or loss.

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

## (viii) Loans and notes receivable and other receivables

Loans and notes receivable and other receivables are measured at amortised cost less impairment allowances, see note 3(j).

## (ix) Trade receivables

Trade receivables are amounts due from customers for the sale of goods in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses as disclosed in note 3 (j). If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

## (x) Accounts payable

Accounts payable are measured at amortised cost.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (c) Financial instruments – Other (continued)

##### (xi) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption being recognised in profit or loss over the period of the borrowings on an effective interest basis.

##### (xii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legal right to set off the recognised amounts and intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

##### (xiii) Amortised cost

Amortised cost is calculated using the effective interest method. Premiums, discounts, and initial transaction costs are included in the carrying amount of the related instruments and amortised based on the effective interest rates.

#### (d) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities. These costs comprise the value of land contributed to the development, direct costs related to property development activities and indirect costs that are attributable to the development activities.

#### (e) Investment property

Investment property, comprising principally land and buildings, is held for rental yields and capital appreciation, and is treated as long-term investments. It is measured initially at cost, including related transaction costs, and subsequently measured at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, expected cash outflows in respect of the property. Fair value is determined every three years by an independent registered valuer, and in each of the two intervening years by the directors. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (f) Property, plant and equipment (continued)

##### (i) Cost

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an asset if it is probable that the future economic benefits embodied in the part will flow to the Group and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

##### (ii) Depreciation

Property, plant and equipment are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. The depreciation rates are as follows:

Buildings	2% - 10%
Computers	25% - 33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	6.67% - 25%
Leasehold improvements	10% - 20%
Motor vehicles	10% - 25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

#### (g) Intangible assets

(i) Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (note 11) and tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the equity accounted investee as a whole.

(ii) Customer relationships and non-compete agreements that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Trade names, licences and other intangible assets that have indefinite useful lives are measured at cost less accumulated impairment losses. The useful lives of such assets are reviewed at each reporting date to determine whether events and circumstances continue to support an indefinite useful life assessment for those assets. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (g) Intangible assets (continued)

##### (iii) Software

Acquired computer software licenses as well as third party and internal costs directly associated with the development of software are capitalised as intangible assets on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortised over their estimated useful lives (three to eight years). Internal costs associated with developing or maintaining computer software programs are recognised as expense as incurred.

##### (iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

##### (v) Amortisation

Intangible assets with finite useful lives, are amortised on the straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

- Customer relationships 6 to 20 years
- Non-compete agreement 2-5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (h) Foreign currency translation

##### (i) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. These rates represent the weighted average rates at which the Group transacts business in foreign currency.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss. Other changes in the carrying amount are recognised in other comprehensive income and presented in fair value reserve. Translation differences on non-monetary items, such as equities classified as FVOCI financial assets, are recognised in other comprehensive income and presented in the fair value reserve in stockholders' equity.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (h) Foreign currency translation (continued)

##### (ii) Foreign operations

The assets and liabilities of foreign operations are translated into USD at the spot exchange rate at the reporting date. The income and expenses of the foreign operations are translated into USD at the average exchange rates for the period. Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income and included in foreign exchange translation reserve.

#### (i) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which it is recognised accordingly.

##### (i) Current income tax

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

##### (ii) Deferred income tax

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted by the reporting 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.

#### (j) Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on financial instruments measured at amortised cost and debt instruments at FVOCI. No impairment loss is recognised on equity instruments which are measured at FVTPL.

#### *Framework*

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. See below for a description of how the Group determines when a significant increase in credit risk has occurred.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (j) Impairment of financial assets (continued)

##### *Framework (continued)*

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below (continued):

- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below (continued):

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. See below and note 37(b) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

##### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (‘Stage 3’). Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that it would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.
- In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market’s assessment of creditworthiness as reflected in the bond yields.
- The rating agencies’ assessments of creditworthiness.
- The country’s ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (j) Impairment of financial assets (continued)

##### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset for the determination of ECL.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

##### *Incorporation of forward-looking information*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. See note 37(b) for an explanation of how the Group has incorporated this in its ECL models.

##### *Measurement of ECL*

The Group measures loss allowances at an amount equal to lifetime ECL, except for debt investment securities with low credit risk at the reporting date and certain financial assets on which credit risk has not increased significantly, which are measured as 12-month ECL.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (j) Impairment of financial assets (continued)

##### *Measurement of ECL (continued)*

ECL is a probability-weighted estimate of credit losses, measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

ECL is a probability-weighted estimate of credit losses, measured as follows (continued):

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive;
- trade and lease receivables: Loss allowances for trade and lease receivables, measured at an amount equal to lifetime ECL.

##### *Trade receivables*

The Group applies the simplified approach for trade receivables as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies specific provisions for higher risk accounts using a risk-based methodology based on certain factors, including customer profile and the nature of products sold or services rendered. All other non-specific accounts were grouped together and aged using a 'provisions matrix'. Scaled loss rates were then calculated based in historical payment profiles and applied to the different aging buckets as at the balance sheet date. The loss rates were adjusted to incorporate forward-looking information.

##### *Presentation of allowance for ECL in the statement of financial position*

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in profit or loss as a reclassification from OCI.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (k) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than goodwill and intangible assets with indefinite useful lives [see note 3(g)], are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or group of operating assets, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

#### (l) Inventories

Inventories are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Cost of finished products includes materials, labour, direct expenses and a relevant proportion of all overhead expenses based on the level of activity attained during the year. Net realisable value is the price at which the stock can be realised in the normal course of business. Provision is made for obsolete, slow-moving and defective stock.

#### (m) Leases

##### (a) As a lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contracts to each lease component on the basis of its relative stand-alone prices. Non-lease components have been separated for leases of properties.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (m) Leases (continued)

##### (a) As a lessee (continued)

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from its primary bankers and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest method.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents the lease liabilities as such in the statement of financial position.

#### Short-term leases

The Group has elected not to recognise right-of-use assets and lease liabilities for lease that are considered short-term leases. The Group recognises the lease payments associated with these lease as an expense on the straight-line basis over the lease term.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (n) Revenue recognition

Revenue comprises interest income, fees and commissions, dividends, income and gains from holding and trading securities and property sales.

#### (i) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss allowance).

#### (ii) Fee and commission income

Fee and commission income are recognised on the accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised as the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

#### (iii) Revenue from the sale of goods

Customers obtain control of products when the goods are delivered and have been accepted at their premises, or in certain cases when the goods have been collected from the Group's premises. Invoices are generated at that point and are payable within a range of terms that vary from immediately to 60 days.

Some products are sold with volume discounts based on aggregate sales over a one-month period. Revenue from these sales are recognised based on the price specified, net of volume discounts.

Revenue is recognised at the point in time that the goods are delivered and have been accepted by the customers. For contracts that permit return of goods, revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (n) Revenue recognition (continued)

##### (iv) Dividends

Dividend income is recognised when the right to receive income is established. For quoted securities, this is usually the ex-dividend date.

##### (iv) Gains or losses on holding and trading securities

Gains or loss on securities trading are recognised when the Group becomes a party to a contract to dispose of the securities, or, in the case of financial assets measured at fair value, upon re-measurement of those assets.

#### (o) Interest expense

Interest expense is recognised in profit or loss 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 amortisation of premium on instruments issued at other than par.

#### (p) Employee benefits

Employee benefits comprise all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, insurance contributions, annual vacation leave, and non-monetary benefits, such as medical care and housing; post-employment benefits, such as pensions and medical care; other long-term employee benefits, such as long service awards; and termination benefits.

##### (i) General benefits

Short-term employee benefits, including pension benefits under a defined contribution plan, are recognised over the period of service and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

Other long-term benefits, including termination benefits, which arise when either (1) the employer decides to terminate an employee's employment before the normal retirement date or (2) an employee decides to accept voluntary redundancy in exchange for termination benefits, are accrued as they are earned and charged as an expense, unless not considered material, in which case they are charged when they fall due.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

3. Significant accounting policies (continued)

(p) Employee benefits (continued)

(ii) Defined benefit plans

The asset or liability recognised in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Current and past-service costs are recognised in profit or loss as the benefits accrue.

(iii) Share-based payments

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is recognised as staff costs.

4. Resale agreements

The Group purchases government and corporate securities and agrees to resell them at specified dates and prices [see note 3(c)(vi)].

Resale agreements result in credit exposure, as the counterparty to the transaction may be unable to fulfill its contractual obligations. At the reporting date, the fair value of the securities held as collateral for resale agreements was \$9,960,000 (2021: \$7,585,000). Certain securities have been pledged to third parties in repurchase agreements (note 17).

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

5. Investment securities

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
<b>Financial assets at fair value through profit or loss</b>		
Quoted equities	5,669	7,547
Unit Trust	6,103	5,913
Foreign sovereign debt	9,787	4,792
Private equity funds	443	405
Principal Protected Note warrant asset [see (a) below]	<u>2,352</u>	<u>-</u>
	<u>24,354</u>	<u>18,657</u>
<b>Financial assets at fair value through other comprehensive income</b>		
Global bonds	159,631	148,252
Government of Jamaica securities	27,094	26,853
Corporate bonds	8,579	17,581
Certificate of deposits	2,326	2,000
Foreign sovereign debt	<u>7,902</u>	<u>7,114</u>
	<u>205,532</u>	<u>201,800</u>
<b>Amortised cost</b>		
Global bonds	56,528	18,585
Corporate bonds	49,405	8,956
Certificate of deposit	<u>-</u>	<u>17,446</u>
	105,933	44,987
Less allowance for expected credit losses	<u>( 627)</u>	<u>( 153)</u>
	<u>105,306</u>	<u>44,834</u>
Total investment securities	<u>335,192</u>	<u>265,291</u>

- (a) The Group purchased a call option from an independent third party to cover the interest charges due to maturity on the principal protected note [see note 16(ii)] issued by the Group.
- (b) As at March 31, 2022, \$214,228,000 (2021: \$186,501,000) of investment securities is expected to be recovered after 12 months from the reporting date.
- (c) The carrying value of debt securities pledged to third parties in repurchase agreements (see note 17) was \$51,069,000 (2021: \$60,042,000). These transactions are conducted under terms that are usual and customary for standard lending and securities borrowing and lending activities, as well as requirements determined by exchanges where the Group acts as an intermediary.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 6. Loans receivable

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Loans and advances to customers [see (a) below]	30,268	6,875
Mortgages	120,950	-
Margin loans [see (a) below]	337	367
Corporate notes	19,948	24,648
Other loans	<u>36,739</u>	<u>398</u>
	208,242	32,288
Unamortized loan origination fees	( 1,094)	-
Accrued interest	965	-
Less allowance for expected	<u>( 737)</u>	<u>( 326)</u>
Credit losses [see (b)]	<u>207,376</u>	<u>31,962</u>

- (a) Loans and advances to customers and margin loans represent advances made by the Group to facilitate the purchase of securities by its clients. The securities purchased are pledged as collateral for the outstanding advances. Certain of these securities have been re-pledged by the Group. At the reporting date, the fair value of the collateral pledged by the clients and re-pledged by the Group was \$2,065,000 (2021: \$2,878,000).
- (b) Loans receivable, net of allowance for expected credit losses, are due from the reporting date as follows:

	<u>2022</u>				<u>Total</u>
	<u>Within</u>	<u>3-12</u>	<u>1-5</u>	<u>Over</u>	
	<u>3 months</u>	<u>months</u>	<u>years</u>	<u>5 years</u>	<u>\$'000</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and advances to customers	443	11,209	11,785	-	23,437
Corporate notes	6,517	1,552	686	902	9,657
Mortgages	94,175	2,652	8,596	15,144	120,567
Other loans	<u>9,129</u>	<u>3,652</u>	<u>19,979</u>	<u>20,955</u>	<u>53,715</u>
	<u>110,264</u>	<u>19,065</u>	<u>41,046</u>	<u>37,001</u>	<u>207,376</u>

	<u>2021</u>				<u>Total</u>
	<u>Within</u>	<u>3-12</u>	<u>1-5</u>	<u>Over</u>	
	<u>3 months</u>	<u>months</u>	<u>years</u>	<u>5 years</u>	<u>\$'000</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and advances to customers	6,875	-	-	-	6,875
Margin loans	-	356	-	-	356
Corporate notes	807	2,518	20,107	901	24,333
Other loans	<u>-</u>	<u>57</u>	<u>341</u>	<u>-</u>	<u>398</u>
	<u>7,682</u>	<u>2,931</u>	<u>20,448</u>	<u>901</u>	<u>31,962</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

6. Loans receivable (continued)

(b) Loans receivable, net of allowance for expected credit losses, are due from the reporting date as follows (continued):

(i) The ageing of loans receivable and related impairment allowance are as follow:

	<u>2022</u>		<u>2021</u>	
	Allowance for		Allowance for	
	<u>Gross</u>	<u>impairment</u>	<u>Gross</u>	<u>impairment</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Not past due and not impaired	183,244	12	14,583	20
More than 90 days past due and impaired	<u>24,998</u>	<u>725</u>	<u>17,705</u>	<u>306</u>
	<u>208,242</u>	<u>737</u>	<u>32,288</u>	<u>326</u>

(ii) The movement on the expected credit losses is as follows:

	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Balance at the beginning of the year	326	209
Impairment allowances recognised	412	127
Effect of exchange rate movements	( <u>1</u> )	( <u>10</u> )
Balance at the end of the year	<u>737</u>	<u>326</u>

7. Trade and other assets

	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	4,659	-
Withholding tax recoverable	2,736	2,796
Interest receivable	1,521	1,167
Due from client	1,592	812
Prepayments	2,297	295
Membership fee receivable	1,718	-
Due from affiliated companies	860	-
Pre-construction advances	3,106	3,333
Real estate sale receivable	-	1,340
Other income receivable	-	618
Deposit on capital acquisition	-	2,145
VAT and other assets	<u>5,104</u>	<u>1,718</u>
	23,593	14,224
Less allowance for expected credit losses	( <u>630</u> )	( <u>230</u> )
	<u>22,963</u>	<u>13,994</u>

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

7. Trade and other assets (continued)

	<u>2022</u> \$'000	<u>2021</u> \$'000
Due from affiliated companies comprise the following:		
A.S Bryden & Sons (Antigua) Limited	459	-
Alston Marketing Company Limited	180	-
Ansa McAL Trading Ltd- Guyana	29	-
Brydens & Minors Limited	41	-
Brydens Stokes Limited	<u>151</u>	<u>-</u>
	<u>860</u>	<u>-</u>

The movement in expected credit losses is as follows:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Balance at beginning of year	230	252
Expected credit losses charged/ (reversed)	422	( 8)
Effect of exchange rate movements	<u>( 22)</u>	<u>( 14)</u>
Balance at end of year	<u>630</u>	<u>230</u>

8. Inventories

	<u>2022</u> \$'000	<u>2021</u> \$'000
Raw materials	5,265	-
Finished products	<u>1,869</u>	<u>-</u>
	7,134	-
Goods in transit	1,922	-
Fair value adjustment upon business combination	<u>(1,084)</u>	<u>-</u>
	<u>7,972</u>	<u>-</u>

9. Property development in progress

This comprises land and associated costs on projects to develop residential and commercial property.

Of this amount, \$778,000 (2021: \$3,179,000) was transferred from investment property during the year (note 11).

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

10. Property, plant and equipment

	Right-of-use on leasehold properties \$'000	Land and building \$'000	Leasehold improvements \$'000	Furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Computer equipment \$'000	Work in progress \$'000	Art- work \$'000	Total \$'000
Cost:									
March 31, 2020	1,483	-	1,146	1,220	232	1,108	53	5	5,247
Additions	1,052	-	358	73	-	183	153	-	1,819
Transfers	-	-	49	-	-	4	(53)	-	-
Disposals	-	-	(122)	-	-	(28)	-	-	(150)
Translation adjustment	(20)	-	(13)	(13)	-	(59)	-	-	(105)
March 31, 2021	2,515	-	1,418	1,280	232	1,208	153	5	6,811
Acquired through business combination									
March 31, 2021	-	23,304	470	2,005	546	377	-	-	26,702
Additions	48	755	8	1,114	232	82	50	-	2,289
Transfers	-	-	14	-	171	-	(185)	-	-
Disposals	-	-	-	-	-	(50)	-	-	(50)
Translation	-	-	(12)	(13)	-	(46)	-	-	(71)
March 31, 2022	2,563	24,059	1,898	4,386	1,181	1,571	18	5	35,681
Depreciation:									
March 31, 2020	273	-	174	765	103	875	-	-	2,190
Charge for the year	354	-	128	65	8	197	-	-	752
Eliminated on disposal	-	-	(53)	-	-	(28)	-	-	(81)
Translation adjustment	(10)	-	(6)	(6)	-	(42)	-	-	(64)
March 31, 2021	617	-	243	824	111	1,002	-	-	2,797
Charge for the year	378	174	161	408	339	89	-	-	1,549
Eliminated on disposals	-	-	-	-	-	(50)	-	-	(50)
Translation adjustment	49	39	(2)	(6)	-	(54)	-	-	26
March 31, 2022	1,044	213	402	1,226	450	987	-	-	4,322
Net book values:									
March 31, 2022	1,519	23,846	1,496	3,160	731	584	18	5	31,359
March 31, 2021	1,898	-	1,175	456	121	206	153	5	4,014

11. Investment property

	2022 \$'000	2021 \$'000
At beginning of year	10,678	12,270
Investment property acquired	4,315	930
Fair value adjustment (note 29)	624	951
Transfer to property development in progress (note 9)	(778)	(3,179)
Transfer to asset held for sale	-	(266)
Foreign exchange translation adjustment	2	(28)
	<u>14,841</u>	<u>10,678</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 11. Investment property (continued)

The Group's properties were last revalued in March 2021 and March 2020 by independent valuers, DC Tavares Finson Realty Company Limited. The valuations were done on the basis of open market value. The fair value of the investment property is categorised as Level 3 in the fair value hierarchy.

<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between key unobservable inputs and fair value measurement</u>
<p><i>Market approach</i></p> <p>This model takes into account:</p> <ul style="list-style-type: none"> <li>• The fact that the intention is to dispose of the property in an open market transaction.</li> <li>• The expected sale would take place on the basis of a willing seller and willing buyer.</li> <li>• A reasonable period in which to negotiate a sale, taking into account the nature of the property and state of the market.</li> <li>• Values are expected to remain stable throughout the period of market exposure and disposal by sale (hypothetical).</li> <li>• The property will be freely exposed to the market; and</li> <li>• The potential rental value of the property in the current investment climate.</li> </ul>	<ul style="list-style-type: none"> <li>• Judgements about whether the property can be sold, exchanged, transferred, let, mortgaged or used for any other economic activity, within its use class.</li> <li>• The strength of demand for the property, given its condition, location and range of potential uses.</li> <li>• The potential rental value of the property in the current investment climate.</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• The level of current and future economic activity in the location and the impact on the strength of the demand is greater/(less) than judged.</li> <li>• The potential rental income from the property is greater/(less) than judged.</li> </ul>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

12. Intangible assets

	Customer relationships	Members agreements	Non-compete agreements	Trademark & tradename	Goodwill	Brand	Deposits	Assembled workforce	Distribution networks	License	Computer software	Work-in- progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:													
March 31, 2021	12,713	-	1,669	456	6,608	-	-	-	-	390	1,487	3,106	26,429
Additions	-	-	-	-	-	-	-	-	-	-	832	83	915
Acquired through business combination	4,660	3,200	-	1,000	7,739	3,340	4,923	1,138	1,400	-	-	-	27,400
Transfer of business	-	-	-	-	-	-	-	-	-	-	2,931	(2,931)	-
FX translation	-	-	-	-	-	-	-	-	-	(22)	(31)	(175)	(228)
March 31, 2022	<u>17,373</u>	<u>3,200</u>	<u>1,669</u>	<u>1,456</u>	<u>14,347</u>	<u>3,340</u>	<u>4,923</u>	<u>1,138</u>	<u>1,400</u>	<u>368</u>	<u>5,219</u>	<u>83</u>	<u>54,516</u>
Amortisation:													
March 31, 2021	3,753	-	1,529	-	-	-	-	-	-	-	706	-	5,988
Amortisation for the year	959	-	15	-	-	-	-	-	-	-	849	-	1,823
Adjustment	353	-	-	-	-	-	-	-	-	-	-	-	353
FX translation	-	-	-	-	-	-	-	-	-	-	(18)	-	(18)
March 31, 2022	<u>5,065</u>	<u>-</u>	<u>1,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,537</u>	<u>-</u>	<u>8,146</u>
Net book values:													
March 31, 2022	<u>12,308</u>	<u>3,200</u>	<u>125</u>	<u>1,456</u>	<u>14,347</u>	<u>3,340</u>	<u>4,923</u>	<u>1,138</u>	<u>1,400</u>	<u>368</u>	<u>3,682</u>	<u>83</u>	<u>46,370</u>
March 31, 2021	<u>8,960</u>	<u>-</u>	<u>140</u>	<u>456</u>	<u>6,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>390</u>	<u>781</u>	<u>3,106</u>	<u>20,441</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 12. Intangible assets (continued)

In testing goodwill for impairment, recoverable amounts of cash-generating units are estimated based on value-in-use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of cash-generating units are arrived at by estimating their future cash flows and discounting those cash flows using long-term discount rates applicable to the countries in which the businesses operate.

Future sustainable cash flows are estimated based on the most recent forecasts, after taking account of past experience. In all cases projected cash flows are taken over 5 years and the long-term growth rate is applied following the projection period, with a terminal value calculated based on the discount rate and growth rate applied. Each cash generating unit is regarded as saleable to a third party at any future date at a price sufficient to recover its carrying amount of goodwill. Key assumptions are set out below.

In determining the value of the customer contracts and related relationships, an income approach method, specifically the Multi-Period Excess Earnings Method (“MEEM”) was used. The principle behind the MEEM is that the value of an intangible asset is equal to the present value of the after-tax cash flows attributable only to that intangible asset.

The carrying amounting of International Financial Planning Limited (IFP) customer relationships was determined to be higher than its recoverable amount. The Group recognised an impairment of \$353,000 during the year (2021:Nil). The impairment loss was recognised in the profit or loss statement included in “other operating expenses. Key assumptions are set out below:

	<u>2022</u>	<u>2021</u>
<u>Wealth Management cash generating units (CGUs)</u>		
Discount rate	15.9%	15.5%
Attrition rate	<u>6.1%</u>	<u>4.9%</u>

The fair value of the International Financial Planning Limited (IFP) trade name was calculated using the relief from royalty method and compared to the carrying value of the trade name as at March 31, 2022. No impairment was recognized. Key assumptions are set out below:

	<u>2022</u>	<u>2021</u>
<u>Wealth Management cash generating units (CGUs)</u>		
Discount rate	16.7%	16.5%
Terminal value	<u>2.5%</u>	<u>2.2%</u>

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

13. Investment in subsidiaries
- (a) Acquisition of Fidelity Bank (Cayman) Limited

Effective February 1, 2022, the Company acquired 3,800,000 common shares, representing a 100% interest in Fidelity Bank (Cayman) Limited (FBCL) from Fidelity Bank & Trust International Limited for a consideration of \$32,116,949. FBCL is incorporated in the Cayman Islands with registered office located at Willow House, Cricket Square, 171 Elgin Avenue, George Town. FBCL is licensed under the Bank and Trust Companies Act, as a Category A Bank to carry on banking business in the Cayman Islands, subject to certain restrictions contained in the terms of the licence. FBCL and its subsidiaries offers a full range of retail banking services, including internet and telephone banking, acceptance of deposits, granting of loans and the provision of foreign exchange services through each of its two (2) branches in Grand Cayman.

The Group's rationale for acquiring FBCL is that it supports the vision of being the premier Caribbean and Latin American Private Equity firm and fits into its core Banking and Wealth division business model. FBCL is expected to play a key role in extracting synergies across the financial services ecosystem as the Group will now have a complete suite of banking and wealth management products. The acquisition also provides the Group with an opportunity to grow its assets under management portfolio, leverage cost synergies with existing portfolio assets while expanding its footprint in the Cayman Islands and the wider Caribbean.

FBCL contributed revenue of \$2,037,000 and attributable post-acquisition losses of \$828,000 to the Group's results in the period to March 31, 2022. If the acquisition had occurred on April 1, 2021, management estimates that consolidated revenue from FBCL would have been \$12,420,000, and consolidated loss for the year would have been \$1,811,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on April 1, 2021.

The consideration of \$32,117,000 is less than the net assets of the business of \$36,680,000 million thereby resulting in a gain of \$4,563,000, recognised in the statement of profit and loss and other comprehensive income. This acquisition resulted in a gain as the seller had been winding down its operations in the Cayman Islands and was motivated to sell.

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

13. Investment in subsidiaries (continued)

## (a) Acquisition of Fidelity Bank (Cayman) Limited (continued)

The following summarises the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition.

## i. Identifiable assets acquired and liabilities assumed:

	<u>2022</u> \$'000
Loans receivable	165,324
Investment securities	94,641
Cash and cash equivalents	86,287
Property, plant and equipment	8,574
Intangible asset	6,061
Other assets	575
Deposits from customers	(316,278)
Accrued expenses and other liabilities	<u>(8,504)</u>
Net assets acquired	<u>36,680</u>
Consideration transferred:	
Cash	<u>(32,117)</u>
Gain on acquisition	<u>4,563</u>

## ii. Cash flow on acquisition

	<u>2021</u> \$'000
Cash acquired	86,287
Less cash consideration	<u>(32,117)</u>
Net cash inflow on acquisition	<u>54,170</u>

## iii. The fair values of material asset categories were established as follows:

- Intangible assets: The value of customer deposits was assessed using the cost savings method. Customer relationships are inherently tied to the customer base and so this asset was not separately valued. The value of the assembled workforce in place is value is determined by calculating the training cost avoided and salary costs avoided in the time it takes for new staff to become fully productive.
- The other assets comprise gross contractual amounts which were expected to be fully collectible at the date of acquisition.
- Loans receivable comprise gross contractual amounts due of \$173,094,000, of which \$7,770,000 was expected to be uncollectable at the date of acquisition.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 13. Investment in subsidiaries (continued)

#### (a) Acquisition of Fidelity Bank (Cayman) Limited (continued)

##### iv. Acquisition-related costs

The Group incurred acquisition-related costs of \$946,000 on legal fees and due diligence costs. These costs have been included in 'other operating expenses' in the statement of profit or loss and other comprehensive income for the year ended March 31, 2022.

#### (b) Acquisition of Roberts Manufacturing Company Limited

Effective June 8, 2021, the Company acquired 5,806,495 common shares, representing a 50.5% interest in Roberts Manufacturing Company Limited (RMCL) for a consideration of \$21,452,500. RMCL, is incorporated in Barbados with registered office located at Lower Estate, St. Michael, Barbados. The principal activities of RMCL is the production and distribution of animal feed, dog food, margarine and shortening, soybean meal and soybean oil.

The Group's rationale for acquiring RMCL helps to achieve the objective of diversifying the private equity investment portfolio away from financial services while capturing the opportunity to leverage and grow the brand across the Caribbean. Also, food manufacturing is seen as vital in regional food security and there is the prospect of improving shareholder value through strategic guidance and support of this business.

RMCL contributed revenue of \$53,694,000 and attributable post-acquisition profits of \$3,876,000 to the Group's results in the period to March 31, 2022. If the acquisition had occurred on April 1, 2021, management estimates that consolidated revenue from RMCL would have been \$63,833,000, and consolidated loss for the year would have been \$3,999,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on April 1, 2021.

The following summarises the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition.

##### i. Identifiable assets acquired and liabilities assumed:

	<u>2022</u>
	\$'000
Property, plant and equipment	18,128
Intangible asset	8,000
Inventory	5,270
Trade receivable	4,801
Other assets	2,459
Cash and cash equivalents	1,157
Investment securities	766
Accounts payable	( 3,321)
Accrued expenses and other liabilities	( 3,077)
Employee benefit obligation	<u>( 1,036)</u>
Net assets acquired	33,147
Non-controlling interest	(16,408)
Goodwill acquired	<u>4,714</u>
Total consideration on acquisition	<u>21,453</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

13. Investment in subsidiaries (continued)

(b) Acquisition of Roberts Manufacturing Company Limited (continued)

ii. Cash flow on acquisition

	<u>2021</u> <u>\$'000</u>
Cash acquired	1,157
Less cash consideration	<u>(21,453)</u>
Net cash outflow on acquisition	<u>(20,296)</u>

iii. The fair values of material asset categories were established as follows:

- Intangible assets: The value of customer deposits was assessed using the Income approach's Multi-Period Excess Earnings method (MPEEM). The value of the Brand was assessed using the Income approach's Relief -from Royalty method (RFR).
- Property, plant and equipment: The value of land was assessed through market comparison techniques by qualified independent valuation assessors. The value of buildings and certain equipment was assessed through cost techniques, specifically the depreciated replacement cost methodology to account for physical deterioration as well as functional and economic obsolescence.
- The other assets comprise gross contractual amounts which were expected to be fully collectible at the date of acquisition.
- Trade receivable comprise gross contractual amounts due of \$11,809,000, of which \$7,008,000 was expected to be uncollectable at the date of acquisition.
- The measurement of the employee benefits assets/obligations have been measured on a provisional basis as the pension arrangements in respect of current and former employees of RMCL have not been finalised as at March 31, 2022 [note 15 (a)].

iv. Acquisition-related costs

The Group incurred acquisition-related costs of \$567,000 on legal fees and due diligence costs. These costs have been included in 'other operating expenses' in the statement of profit or loss and other comprehensive income for the year ended March 31, 2022.

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

13. Investment in subsidiaries (continued)

## (b) Acquisition of Heritage Education Funds International Inc.

Effective October 1, 2021, the Company acquired 100 common shares, representing a 100% interest in Heritage Education Funds International Inc (HEFI) from Knowledge First Foundation for a consideration of \$8,289,758. HEFI, is incorporated in Canada with registered office located at 50 Burnhamthorpe Road, Mississauga, Ontario. The principal activities of the company is the distributor of the Heritage International Scholarship Trust Plan- Fund D and assist the Heritage International Scholarship Trust Plan Foundation in administering the Plan. The Plan is currently distributed in the Bahamas, Bermuda, Jamaica and the British Virgin Islands.

The Group's rationale for acquiring HEFI includes the opportunity to expand the wealth management business in the Caribbean. The Group is also able to cross sell complementary financial products with operations in similar jurisdictions.

HEFI contributed revenue of \$1,381,000 and attributable post-acquisition profits of \$173,000 to the Group's results in the period to March 31, 2022. If the acquisition had occurred on April 1, 2021, management estimates that consolidated revenue from HEFI would have been \$2,064,000, and consolidated profit for the year would have been \$993,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on April 1, 2021.

The following summarises the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition.

## i. Identifiable assets acquired and liabilities assumed:

	<u>2022</u> \$'000
Intangible assets	5,600
Membership fees receivable	914
Receivable from affiliated companies	692
Investments	431
Cash and cash equivalents	92
Other assets	288
Note payable	(2,162)
Accrued expenses and other liabilities	( 590)
Net assets acquired	5,265
Goodwill acquired	<u>3,025</u>
Total consideration on acquisition	<u>8,290</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 13. Investment in subsidiaries (continued)

#### (c) Acquisition of Heritage Education Funds International Inc (continued).

##### ii. Cash flow on acquisition

	<u>2021</u> \$'000
Cash acquired	95
Less cash consideration	<u>(8,290)</u>
Net cash outflow on acquisition	<u>(8,195)</u>

##### iii. The fair values of material asset categories were established as follows:

- Intangible assets: The value of member agreement was assessed using the Income approach's Multi-Period Excess Earnings method (MPEEM). The value of the distribution network was assessed using the Income approach's . The value of trademarks was assessed using the Relied from Royalty method (RFR) of the income approach.
- The other assets comprise gross contractual amounts which were expected to be fully collectible at the date of acquisition.
- Membership fee receivable comprise gross contractual amounts due of \$1,059,000, of which \$145,000 was expected to be uncollectable at the date of acquisition.

##### iv. Acquisition-related costs

The Group incurred acquisition-related costs of \$128,000 on legal fees and due diligence costs. These costs have been included in 'other operating expenses' in the statement of profit or loss and other comprehensive income for the year ended March 31, 2022.

#### (d) Proven Holdings Limited

During the financial year, capital injection of \$2,092,000 (2021: \$25,163,000) cash was made in Proven Holdings Limited.

#### (e) Proven Properties Limited (formerly Real Properties Limited)

During the financial year, capital injection of \$3,569,000 (2021: \$2,855,000) cash was made in Proven Properties Limited.

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

14. Investment in associates

	<u>2022</u> \$'000	<u>2021</u> \$'000
Carrying amount of interest in associate:		
JMMB Group Limited	116,671	122,587
Dream Entertainment Limited	-	503
Plastic Containers Ltd	957	-
Access Financial Services Limited	<u>22,884</u>	<u>23,084</u>
	<u>140,512</u>	<u>146,174</u>
The Group's share of profit/(loss) comprises:		
	<u>2022</u> \$'000	<u>2021</u> \$'000
JMMB Group Limited	15,005	10,316
Access Financial Services Limited	<u>709</u>	<u>451</u>
	15,714	10,767
Others	<u>70</u>	<u>(68)</u>
	<u>15,784</u>	<u>10,699</u>

## (i) Disposal of shares in Dream Entertainment Limited

Effective July 9, 2021, the Company disposed of its 20% interest in Dream Entertainment Limited.

## (ii) Investment in Access Financial Services Limited (AFS)

This represents a 24.72% shareholding in Access Financial Services Limited, a personal loan and microfinance company. As at March 31, 2022, the fair value of the investment was \$8,872,000 (2021: \$10,380,000).

In testing the investment of associate for impairment, the recoverable amount was compared to the carrying amounts of AFS. The recoverable amount was determined by assessing the value in use (VIU). The income approach, specifically the discounted cashflow method was used to estimate the VIU.

The carrying amounts of AFS was determined to be higher than its recoverable amount and an impairment of \$830,000 during 2022 (2021:Nil) was recognised. The impairment loss was recognised in the statement of profit or loss and other comprehensive income and is included in "other operating expenses". Key assumptions are set out below:

	<u>2022</u>	<u>2021</u>
<u>Retail lending cash generating units (CGUs)</u>		
Discount rate	18%	18%
Terminal multiple	<u>10.2x</u>	<u>10.1x</u>

## (iii) Investment in JMMB Group Limited

This represents a 20% shareholding or 391,310,526 shares in JMMB Group Limited (JMMBGL). The principal activities of JMMBGL are investment management and banking services. The purpose of the acquisition is to generate dividend income. JMMBGL is listed on Jamaica Stock Exchange. As at March 31, 2022 the fair value of the investment was \$113,154,000 (2021: \$88,781,000).

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 14. Investment in associates (continued)

- (iii) The following table summarises the financial information of JMMBGL and Access Financial Services Limited (Access), as included in the Group's financial statements as at March 31, 2022, reflecting adjustments for differences in accounting policies.

	2022			2021		
	JMMBGL	Access	Total	JMMBGL	Access	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Percentage ownership interest	20%	24.72%		20%	24.72%	
Statement of financial position:						
Intangible assets	21,983	3,120	25,103	20,020	3,317	23,337
Tangible assets	3,980,788	33,877	4,014,665	3,525,789	34,583	3,560,372
Liabilities	(3,635,421)	(18,770)	(3,654,191)	(3,123,303)	(20,982)	(3,144,285)
Net assets attributable to equity holders (100%)	367,350	18,227	385,577	422,506	16,918	439,424
Non-controlling interests	(9,524)	-	(9,524)	(10,789)	-	(10,789)
Adjusted net assets	<u>357,826</u>	<u>18,227</u>	<u>376,053</u>	<u>411,717</u>	<u>16,918</u>	<u>428,635</u>
Group's share of net assets	71,565	4,506	76,071	82,344	4,182	86,526
Goodwill	35,964	16,276	52,240	35,964	16,276	52,240
Foreign exchange adjustment	9,142	2,102	11,244	4,279	2,626	6,905
Carrying amount of investment	<u>116,671</u>	<u>22,884</u>	<u>139,555</u>	<u>122,587</u>	<u>23,084</u>	<u>145,671</u>
Revenue	<u>277,647</u>	<u>14,884</u>	<u>292,531</u>	<u>235,424</u>	<u>14,258</u>	<u>249,682</u>
Profit from continuing operations	74,989	2,870	77,859	51,552	1,825	53,377
Other comprehensive income/ (loss), net of tax	(95,019)	370	(94,649)	85,197	534	85,731
Total comprehensive income	<u>(20,030)</u>	<u>3,240</u>	<u>(16,790)</u>	<u>136,749</u>	<u>2,359</u>	<u>139,108</u>
Share of total comprehensive income since date of investment:						
Profit for the year	15,005	709	15,714	10,316	451	10,767
Other comprehensive income/ (loss)	(19,014)	97	(18,917)	17,048	132	17,180
	<u>(4,009)</u>	<u>806</u>	<u>(3,203)</u>	<u>27,364</u>	<u>583</u>	<u>27,947</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

15. Employee benefit assets/(obligations)

## (a) Pension fund asset

Roberts Manufacturing Company Limited (RMCL) was a participating contributor of Massy (Barbados) Limited (MBL) defined benefit pension plan scheme known as the BS&T Pension Scheme up to June 8, 2021. The assets of this plan are held in a separate fund administered by Trustees appointed by. The pension arrangements in respect of current and former employees of RMCL have not been finalised as at March 31, 2022. The disclosures have been made using the following assumptions:

- The liabilities in respect of deferred pensioners and pensioners who were employed by the RMCL will remain liabilities of the BS&T Pension Scheme.
- The transfer value that will be paid in respect of current employees of the RMCL will be calculated as the present value of their defined benefit obligation at the acquisition date. The assumptions used in calculating the transfer value were the same assumptions used in calculating the solvency position of the BS&T Pension Scheme at its last triennial valuation as at September 30, 2020.

Certain employees participate in a non-contributory defined benefit pension and post-employment medical scheme.

The amount recognised in the statement of financial position is as follows:

	<u>2022</u>
	\$'000
Fair value of plan assets	2,714
Present value of funded obligations	<u>(2,005)</u>
Net asset at end of year	<u>709</u>

The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	<u>2022</u>
	\$'000
Current service costs	115
Interest cost	632
Expected return on plan assets	(542)
Plan administrative expenses	3
Losses from settlement	<u>250</u>
Net amount included in staff costs	<u>458</u>
Remeasurements included in other comprehensive income:	
Loss from change in assumptions	(209)
Experience loss	(138)
Expected returns on plan assets	542
Actual return on plan assets	(952)
Gain from change in demographic assumptions	<u>(128)</u>
Net amount included in the consolidated statement of other comprehensive income	<u>(885)</u>

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

15. Employee benefit assets/(obligations) (continued)

## (a) Pension fund asset (continued)

	<u>2022</u>
	\$'000
Movement in the net amount recognised in Statement of financial position:	
Acquired through business combination	(145)
Net expense recognised in the statement of profit or loss	(458)
Net gain recognised in the statement of other comprehensive income (as above)	885
Contributions paid	<u>427</u>
Net asset at the end of period	<u>709</u>

Changes in the present value of the defined benefit obligation are as follows:

	<u>2022</u>
	\$'000
Defined benefit obligations acquired through business combination	7,255
Interest cost	632
Current service cost	115
Benefits paid	( 595)
Liabilities transferred out	(4,927)
Remeasurements:	
Actuarial gains on obligation	( 475)
Defined benefit obligation at the end of period	<u>2,005</u>

Changes in the fair value of plan assets are as follows:

	<u>2022</u>
	\$'000
Acquired through business combination	7,111
Plan administrative expenses	( 3)
Contributions by employer	427
Benefits paid	( 595)
Assets transferred out	(4,928)
Remeasurements:	
Return on plan assets	952
Plan settlements	( 250)
Fair value of plan assets at the end of the year	<u>2,714</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

15. Employee benefit assets/(obligations) (continued)

## (a) Pension fund asset (continued)

Principal actuarial assumptions used for accounting purposes at March 31, 2022 as follows:

**Pension plan**

Discount rate	7.75%
Expected return on plan assets	7.75%
Future promotional salary increases	2.00%
Future inflationary salary increases	3.75%
Future pension increases	0.75%
Proportion of employees opting for early retirement	5.00%
Future increases in NIS ceiling for earnings	3.5%

**Post retirement mortality for pensioners at 65**

Male	UP 94
Female	UP 94

The weighted average duration of the defined benefit obligation is 12.35 years.

RMCL contributes to the scheme at a rate recommended by the actuary based on a triennial valuation. The last triennial valuation was performed at September 30, 2020 and the contribution rate was determined at 14% of salaries.

## (b) Defined benefit obligations

The amount recognised in the statement of financial position comprises:

	<u>2022</u> \$'000
Medical fund liability	<u>(912)</u>

The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	<u>2022</u> \$'000
Current service cost	38
Interest cost	<u>105</u>
Amount included in staff costs	<u>143</u>

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

15. Employee benefit assets/(obligations) (continued)

## (b) Defined benefit obligations (continued)

Experience losses of \$67,000 are recognized in other comprehensive income.

Changes in the present value of the post-retirement benefit obligation are:

	<u>2022</u>
	<u>\$'000</u>
Balance at beginning of period/year	893
Interest cost	105
Current service cost	37
Benefits paid	( 56)
Remeasurements:	
Actuarial gain on obligations	( 67)
Balance at the end of the period	<u>912</u>

The principal actuarial assumptions used for accounting purposes were:

Discount rate at end of period/year	7.75%
Future medical claims/premium inflation	4.50%

16. Deferred tax asset

	2022				
	Balance at March 31, 2021 \$'000	Adjustment \$'000	Recognised in profit or loss \$'000 (note 32)	Recognised in other comprehensive income \$'000	Balance at March 31, 2022 \$'000
Property, plant and equipment	14	-	138	-	152
Loans receivable	( 27)	-	27	-	-
Other receivables	(369)	-	(178)	-	( 547)
Unrealised foreign exchange net	219	-	( 79)	-	140
Investment property	( 18)	-	33	-	15
Investment at FVOCI	174	-	-	912	1,086
Investment at FVPTL	( 11)	-	-	-	( 11)
Impairment loss on instruments at FVOCI	2	-	( 71)	71	2
Other liabilities	66	-	( 47)	-	19
Lease liabilities, net	16	-	9	-	25
Tax losses	24	-	-	-	24
Exchange difference on translation	( 82)	-	-	( 4)	( 86)
Acquired through business combination	-	121	-	-	121
Other	<u>75</u>	<u>-</u>	<u>35</u>	<u>( 9)</u>	<u>101</u>
	<u>83</u>	<u>121</u>	<u>(133)</u>	<u>970</u>	<u>1,041</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

16. Deferred tax asset (continued)

	2021			Balance at March 31, 2021 \$'000
	Balance at March 31, 2020 \$'000	Recognised in profit or loss \$'000 (note 32)	Recognised in equity \$'000	
Property, plant and equipment	23	( 9)	-	14
Loans receivable	( 27)	-	-	( 27)
Other receivables	( 423)	54	-	(369)
Unrealised foreign exchange losses, net	465	(246)	-	219
Investment property	( 9)	( 9)	-	( 18)
Investment at FVOCI	1,080	-	(906)	174
Investment at FVPTL	( 9)	( 2)	-	( 11)
Impairment loss on instruments at FVOCI	2	( 65)	65	2
Other liabilities	64	2	-	66
Lease liabilities, net	2	14	-	16
Tax losses	24	-	-	24
Exchange difference on translation	11	1	( 94)	( 82)
Other	<u>21</u>	<u>54</u>	<u>-</u>	<u>75</u>
	<u>1,224</u>	<u>(206)</u>	<u>(935)</u>	<u>83</u>

17. Repurchase agreements

The Group sells Government and corporate securities and agrees to repurchase them on specified dates and at specified prices. Investment securities and resale agreements have been pledged by the Group as collateral for repurchase agreements (see note 4 and 5).

	<u>2022</u> \$'000	<u>2021</u> \$'000
Denominated in Jamaica Dollars	24,350	17,131
Denominated in United States Dollars	42,739	50,976
Denominated in Pound Sterling	154	198
Denominated in Canadian Dollars	-	5
Denominated in Euro Dollars	<u>-</u>	<u>8</u>
	<u>67,243</u>	<u>68,318</u>

18. Owed to related parties

	<u>2022</u> \$'000	<u>2021</u> \$'000
Current accounts	276	204
Dividend payable	<u>386</u>	<u>1,344</u>
	<u>662</u>	<u>1,548</u>

Current accounts represent accrued management fees and amounts payable to Proven Management Limited.

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

19. <u>Due to customers</u>		
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Time deposits	11,210	15,627
Term deposits	325,435	-
Interest bearing accounts	1,759	1,621
Non-interest bearing accounts	<u>323,089</u>	<u>269,045</u>
	<u>661,493</u>	<u>286,293</u>
20. <u>Notes payable</u>		
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Structured notes [see (i) below]	150,844	79,916
Margin loans payable [see (ii) below]	-	188
Long-term loan [see (iii) below]	41,702	44,202
Other	<u>18,222</u>	<u>10,539</u>
	<u>210,768</u>	<u>134,845</u>

- (i) Structured notes represent short to medium-term debt obligations issued by the Group. The notes are secured by a basket of securities and typically have fixed quarterly coupon payments, with bullet payments of principal at maturity.
- (ii) Margin loans payable represent short-term debt facilities provided by brokerage firms to the Group to:
- acquire securities on its own account. The facilities are collateralised by the securities held with the brokerage firms.
  - Fund facilities offered to its clients. The clients have agreed with the Group that the securities purchased may be re-pledged or otherwise offered by the Group as collateral for the margin facility extended to the Group by the brokerage firm [note 6(a)].
- (iii) The Group issued a Jamaica dollar Corporate Bond of J\$10.5 billion through NCB Capital Markets Limited to assist with the acquisition of ordinary shares in JMMB Group Limited. The bond was issued in two facilities (A and B ) with maturity of ten (10) years and six (6) years respectively. As at the reporting date, facility C was not yet been drawn down.
- Facility A represents J\$6.4 billion, matures in 10 years, bears fixed interest of 5% per annum for years 1-3, fixed interest of 6.5% per annum for years 4-6, and fixed interest of 7.5% thereafter.
  - Facility B represents J\$2.9 billion, matures in 6 years, bears fixed interest of 6% per annum for years 1-3 and fixed interest of 7.5% thereafter. The Group opted to repay this facility early on March 11, 2021.
  - Facility C represents J\$1.2 billion, which will be drawn down for a maximum period of 2 years and bears fixed interest of 6% per annum.

All coupon payments are required to be paid semi-annually.

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

21. Other liabilities

	<u>2022</u> \$'000	<u>2021</u> \$'000
Interest payable	1,327	1,060
Payable to clients	7,743	69
Accrued charges	938	996
Other	9,643	4,752
Due to affiliated companies	<u>2,119</u>	<u>-</u>
	<u>21,770</u>	<u>6,877</u>
Due to affiliated companies comprise the following:		
Ansa McAL (Barbados) Limited	88	-
ADM Barbados Mills Limited	<u>2,031</u>	<u>-</u>
	<u>2,119</u>	<u>-</u>

22. Lease liabilities

The Group occupies office spaces on leases that typically run for a period of 5 years, with options to renew. Lease payments are renegotiated to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local market conditions.

The office space leases were negotiated as combined leases of land and buildings and previously were classified as operating leases under IAS 17. Information about leases for which the Group is a lessee is presented below.

Leases as lessee (IFRS 16)

## (i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property and are presented as property, plant and equipment (see note 10).

	<u>Leasehold properties</u> \$'000
Balance at April 1, 2021	1,848
Additions	<u>48</u>
	1,896
Accumulated depreciation	<u>( 378)</u>
Balance at March 31, 2022	<u>1,518</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Lease liabilities (continued)

Leases as lessee (IFRS 16) (continued)

#### (ii) Lease liabilities:

Undiscounted cashflows of lease liabilities

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Less than one year	350	388
One to five years	1,268	1,373
More than five years	<u>276</u>	<u>426</u>
	1,894	2,187
Less future interest	<u>( 215)</u>	<u>( 174)</u>
Carrying amount of lease liabilities	<u>1,679</u>	<u>2,013</u>
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Current	633	327
Non-current	<u>1,046</u>	<u>1,686</u>
	<u>1,679</u>	<u>2,013</u>

#### (iii) Amounts recognised in profit or loss

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Leases under IFRS 16 interest on lease liabilities	<u>126</u>	<u>153</u>

#### (iv) Amounts recognised in statement of cash flows

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Total cash outflow for leases	<u>331</u>	<u>444</u>

#### (v) Extension options

Some leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date, whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

23. Preference shares

	<u>2022</u> \$'000	<u>2021</u> \$'000
Manager's preference shares [see (i)]	<u>1</u>	<u>1</u>
8.25% Cumulative redeemable preference shares [see (ii)]		

The terms and conditions of the manager's preference shares (note 24) include the following:

- (i) the manager's preference shares rank *pari passu* as between and among themselves;
- (ii) Each manager's preference share has votes attaching to it that are a multiple of the votes attaching to each ordinary stock unit on all resolutions and decisions at a general meeting, such that the preference share votes will be at least equal to the votes of the ordinary stock units, except on any resolution intended to vary the formula for computing the dividend payable to the preference shareholders, in which case each manager's preference share is entitled to one vote.
- (iii) each manager's preference share is entitled to a cumulative annual preference dividend in the sum which is equal to:
  - (1) 25% of the profits and gains of the Group in each financial year in excess of the Annual Earnings Hurdle (computed in accordance with the formula set out in the terms and conditions of issue) for such financial year, divided by
  - (2) the number of manager's preference shares in issue when the said cumulative annual preference dividend is paid; and for this purpose the Annual Earnings Hurdle shall be the amount which results when the hurdle rate is applied to the average equity of the Company during such financial year.
- (iv) Apart from the right to the cumulative annual preference dividend, the manager's preference shares have no economic rights or entitlements save for the right on a winding up to the repayment of the capital paid thereon on a *pari passu* basis with the capital paid on the ordinary stock units.

24. Share capital

	<u>2022</u> Units	<u>2021</u> Units
Authorised:		
2,999,990,000 Ordinary shares, par value US\$0.01 each	29,999,900	29,999,900
10,000 Manager's Preference Shares, par value US\$0.01 each	100	100
300,000,000 8.25% Cumulative Redeemable Preference Shares, par value US\$0.01 each	3,000,000	3,000,000
700,000,000 cumulative redeemable Preference share, par value US\$0.01 each	<u>7,000,000</u>	<u>7,000,000</u>
	<u>40,000,000</u>	<u>40,000,000</u>

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

24. Share capital (continued)

	<u>2022</u> Units	<u>2021</u> Units	<u>2022</u> \$'000	<u>2021</u> \$'000
Issued and fully paid:				
Ordinary shares	759,432,000	759,432,000	115,754	115,754
Manager's Preference Shares	<u>10,000</u>	<u>10,000</u>	<u>1</u>	<u>1</u>
			115,755	115,755
Less: Preference shares classified as liability (see note 23)			(1)	(1)
			<u>115,754</u>	<u>115,754</u>

- (a) On November 5, 2020, the Board of Directors passed a resolution for the issue of shares through an additional public offer thereby approving the issue up to 134,124,037 ordinary shares for \$29,038,000. The total shares approved for issue through the additional public offer was fully subscribed.
- (b) The holders of the ordinary shares are entitled to receive dividends from time to time, and are entitled to one vote per share at meetings of the Company.
- (c) The rights and entitlements of the holders of the preference shares are set out in note 23.

25. Fair value reserve

This represents the cumulative net unrealised gains and losses in fair value, net of taxation, on the revaluation of FVOCI investment securities, and remains until the securities are derecognised or impaired.

26. Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

27. Non-controlling interest

The following table summarises information relating to each of the Group's subsidiaries that has material non-controlling interest (NCI), before any intra-group eliminations.

	2022			Total \$'000
	Boslil Bank <u>Limited</u> \$'000	Roberts <u>Manufacturing</u> \$'000	Intra-group <u>adjustments</u> \$'000	
NCI percentage	25%	49.5%		
Total assets	357,857	28,349		
Total liabilities	(338,236)	(10,518)		
Net assets	<u>19,621</u>	<u>17,831</u>		
Carrying amount of NCI	<u>4,905</u>	<u>8,826</u>	<u>10,693</u>	<u>24,424</u>
Revenue	<u>8,565</u>	<u>53,694</u>		
Profit for the year	2,184	3,665		
Profit allocated to NCI	<u>546</u>	<u>1,814</u>	<u>583</u>	<u>2,943</u>
OCI for the year	( 8,032)	924	-	( 7,108)
OCI allocated to NCI	<u>( 2,008)</u>	<u>457</u>	<u>-</u>	<u>( 1,551)</u>
Cash flows from operating activities	27,507	4,323		
Cash flows from investment activities	( 189)	( 1,385)		
Cash flows from financing activities	<u>( 2,315)</u>	<u>( 1,150)</u>		
Net decrease in cash and cash equivalents	<u>25,003</u>	<u>1,788</u>		
			2021	
	Boslil Bank <u>Limited</u> \$'000	Intra-group <u>adjustments</u> \$'000	Total \$'000	
<b>NCI percentage</b>	<b>25%</b>			
Total assets	316,240			
Total liabilities	(288,571)			
Net assets	<u>27,669</u>			
Carrying amount of NCI	<u>6,917</u>	<u>827</u>		<u>7,744</u>
Revenue	<u>7,211</u>			
Profit for the year	6,258			
Profit allocated to NCI	<u>1,565</u>	<u>-</u>		<u>1,565</u>
OCI for the year	2,789	-		2,789
OCI allocated to NCI	<u>697</u>	<u>-</u>		<u>697</u>
Cash flows from operating activities	52,768			
Cash flows from investment activities	( 500)			
Cash flows from financing activities	<u>( 3,826)</u>			
Net decrease in cash and cash equivalents	<u>48,442</u>			

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

28. Net interest income

	<u>2022</u> \$'000	<u>2021</u> \$'000
Interest income, calculated using the effective interest method:		
GOJ benchmark investment notes	742	842
Regional and corporate bonds	3,343	3,999
Global bonds	2,698	3,063
Resale agreements	308	11
Corporate notes	792	405
Other loans receivable	3,252	934
Other	<u>1,504</u>	<u>1,328</u>
	<u>12,639</u>	<u>10,582</u>
Interest expense, calculated using the effective interest method:		
Interest on margin loans	2	3
Repurchase agreements	1,278	1,208
Notes payable	4,534	5,428
Finance cost	53	72
Other	<u>1,691</u>	<u>834</u>
	<u>7,558</u>	<u>7,545</u>
Net interest income	<u>5,081</u>	<u>3,037</u>

29. Net fair value adjustments and realised gains

	<u>2022</u> \$'000	<u>2021</u> \$'000
Fair value adjustment for investment property (note 11)	624	951
Fair value gains on fixed income securities	2,270	5,138
Fair value gains/ (losses) on equity securities	3	( 11)
Unrealised fair value (losses)/gains on investments	<u>( 648)</u>	<u>1,254</u>
	<u>2,249</u>	<u>7,332</u>

30. Staff costs

	<u>2022</u> \$'000	<u>2021</u> \$'000
Salaries, wages and related costs	12,675	6,459
Bonus and ex-gratia payments	789	864
Statutory payroll contributions	341	812
Pension costs - defined contribution plan	112	94
Staff welfare	110	133
Directors fees	227	50
Other	<u>664</u>	<u>1,169</u>
	<u>14,918</u>	<u>9,581</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

30. Staff costs (continued)

Included in staff costs are the following directors' and key management's emoluments:

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Fees	152	140
Management remuneration	<u>1,506</u>	<u>1,454</u>

31. Other operating expenses

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Bad debt recovery, net	-	23
Irrecoverable GCT	243	270
Insurance	73	52
Legal and other professional fees	4,004	1,569
Licenses and permits	556	481
Marketing and advertising	737	372
Miscellaneous	111	142
Management fees [note 33(f)]	5,295	2,462
Irrecoverable income tax withheld	35	53
Office rent	273	317
Commission expenses and fees	593	650
Printing and stationery	98	89
Repairs and maintenance	1,695	1,080
Subscriptions and donations	95	78
Courier and collection services	179	-
Travelling	464	40
Utilities	1,614	182
Manufacturing and warehouse expenses	2,201	-
Other operating expenses	<u>4,796</u>	<u>738</u>
	<u>23,062</u>	<u>8,598</u>

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

32. Taxation

- (a) Depending on the jurisdiction and nature of business, income tax is computed at 1% and 33⅓% of profit for the year as adjusted for tax purposes, and is made up as follows:

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
(i) Current tax charge:		
Charge on current period's profits:		
Income tax at 1%	8	-
Income tax at 2.74%	82	113
Income tax at 33⅓%	769	1,130
Income tax at 25%	<u>70</u>	<u>-</u>
	929	1,243
(ii) Deferred tax (note 16):		
Origination and reversal of temporary differences	287	206
(iii) Prior year over provision	( 51)	( 417)
Total income tax charge	<u>1,165</u>	<u>1,032</u>

- (b) Reconciliation of actual tax expense:

The actual charge for the year is as follows:

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Profit before taxation	<u>16,645</u>	<u>5,458</u>
Computed "expected" tax expense at 1% for the Company	-	47
Computed "expected" tax expense at 2.74%	25	-
Computed "expected" tax expense at 25%	70	-
Computed "expected" tax expense at 33⅓%	<u>1,132</u>	<u>1,653</u>
	<u>1,227</u>	<u>1,700</u>
Difference between profits for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	5	( 26)
Income exempt from income tax	( 244)	( 373)
Financial asset at fair value	( 6)	( 5)
Provision for loan loss	18	( 15)
Prior period over provision	( 51)	( 417)
Other	<u>216</u>	<u>168</u>
Actual tax expense	<u>1,165</u>	<u>1,032</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

33. Related party transactions

## (a) Definition of related party

A related party is a person or entity that is related to the Company.

- (i) A person or a close member of that person's family is related to the Company if that person:
  - (1) has control or joint control over the Company;
  - (2) has significant influence over the Company; or
  - (3) is a member of the key management personnel of the Company or of a parent of the Company.
- (ii) An entity is related to the Company if any of the following conditions applies:
  - (1) The entity and the Company are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).
  - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) Both entities are joint ventures of the same third party.
  - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
  - (6) The entity is controlled, or jointly controlled by a person identified in (i).
  - (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (8) The entity, or any member of a group of companies of which it is a part, provides key management personnel services to the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

## (b) Identity of related parties

The Group has related party relationships with its subsidiaries and associates and with its directors and executive officers and those of its subsidiaries and associates.

- (c) The Group has engaged a related party, Proven Management Limited, to provide investment management services in relation to financial instruments held in a number of funds, and the business and operations of the Group, for a fee. The fee is charged at 2% of the Group's Average Net Asset Value in the financial year [see note 33(f)].



## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

36. Segment financial information

The Group is organised into five main business segments:

- (a) Wealth Management - this incorporates financial and related services such as securities brokering, stock brokering, portfolio planning and funds management.
- (b) Retail Lending - this incorporates personal and non-personal banking services.
- (c) Private Banking - this incorporates banking services, deposit accounts, credit and debit cards and cash-collaterised lending.
- (d) Real Estate and Other – this incorporates real estate investment, real estate development for residential and commercial purposes and other non-trading subsidiaries.
- (e) Production and distribution – this incorporates the production and distribution of animal feed, dog food, margarine and shortening, soybean meal and soybean oil.

Transactions between the business segments are on normal commercial terms and conditions.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of items on the statement of financial position, but exclude items such as taxation, share of profit of associate and preference share. Eliminations comprise intercompany transactions and balances.

	2022						
	Wealth management \$'000	Private banking \$'000	Retail lending \$'000	Real estate & other \$'000	Production & distribution \$'000	Eliminations \$'000	Group \$'000
Gross revenue	25,265	10,316	-	4,579	54,966	-	95,126
Inter-segment revenue	( 6,607)	( 736)	-	( 666)	( 958)	-	( 8,967)
Revenue from external customers	<u>18,658</u>	<u>9,580</u>	<u>-</u>	<u>3,913</u>	<u>54,008</u>	<u>-</u>	<u>86,159</u>
Segment results	<u>485</u>	<u>1,356</u>	<u>-</u>	<u>741</u>	<u>3,815</u>	<u>( 1,797)</u>	<u>4,600</u>
Impairment losses	( 353)	-	(830)	-	-	-	( 1,183)
Preference share dividend							( 2,556)
Share of profit of associates	15,005	-	709	-	70	-	<u>15,784</u>
Profit before income tax							16,645
Taxation							( 1,165)
Profit for the year							<u>15,480</u>
Total segment assets	<u>362,395</u>	<u>715,693</u>	<u>-</u>	<u>163,488</u>	<u>28,346</u>	<u>(128,147)</u>	<u>1,141,775</u>
Total segment liabilities	<u>243,685</u>	<u>666,285</u>	<u>-</u>	<u>82,270</u>	<u>10,518</u>	<u>( 28,045)</u>	<u>974,713</u>
Interest income	6,549	6,970	-	119	-	( 999)	12,639
Interest expense	( 5,807)	( 314)	-	( 2,517)	( 2)	1,082	( 7,558)
Depreciation and amortisation	<u>1,072</u>	<u>740</u>	<u>-</u>	<u>32</u>	<u>540</u>	<u>988</u>	<u>3,372</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 36. Segment financial information (continued)

	2021					
	Wealth management \$'000	Private banking \$'000	Retail lending \$'000	Real estate & other \$'000	Eliminations \$'000	Group \$'000
Gross revenue	32,041	11,107	-	4,524	-	47,672
Inter-segment revenue	(11,635)	(209)	-	(1,334)	-	(13,178)
Revenue from external customers	<u>20,406</u>	<u>10,898</u>	<u>-</u>	<u>3,190</u>	<u>-</u>	<u>34,494</u>
Segment results	<u>13,209</u>	<u>6,258</u>	<u>-</u>	<u>(1,331)</u>	<u>(11,963)</u>	6,173
Preference share dividend						(2,743)
Share of profit of associates	<u>10,316</u>	<u>-</u>	<u>451</u>	<u>(68)</u>	<u>-</u>	<u>10,699</u>
Profit before income tax						14,129
Taxation						(1,032)
Profit for the year						<u>13,097</u>
Total segment assets	<u>295,371</u>	<u>316,240</u>	<u>-</u>	<u>140,600</u>	<u>(77,669)</u>	<u>674,542</u>
Total segment liabilities	<u>163,892</u>	<u>288,571</u>	<u>-</u>	<u>68,040</u>	<u>(15,386)</u>	<u>505,117</u>
Interest income	6,958	4,334	-	63	(773)	10,582
Interest expense	(4,581)	(59)	-	(3,678)	773	(7,545)
Depreciation and amortisation	<u>338</u>	<u>521</u>	<u>-</u>	<u>19</u>	<u>990</u>	<u>1,868</u>

The geographic information analyses the Group's external revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information below, segment revenue is based on the geographic location of the customers and segment assets are based on the geographic location of the assets.

	2022						
	St. Lucia \$'000	Jamaica \$'000	Cayman \$'000	Barbados \$'000	Canada \$'000	Eliminations \$'000	Total \$'000
Gross revenues	18,530	14,781	5,468	54,966	1,381	-	95,126
Eliminations	(5,681)	(1,925)	(780)	(581)	-	-	(8,967)
External revenues	12,850	12,854	4,688	54,386	1,381	-	86,159
Non-current assets	<u>7,324</u>	<u>113,004</u>	<u>8,460</u>	<u>9,527</u>	<u>1,960</u>	<u>94,583</u>	<u>234,858</u>

	2021					
	St. Lucia \$'000	Jamaica \$'000	Cayman \$'000	Other \$'000	Eliminations \$'000	Total \$'000
External revenues	18,111	11,989	4,394	-	-	34,494
Non-current assets	<u>146,320</u>	<u>98,267</u>	<u>19</u>	<u>-</u>	<u>(62,934)</u>	<u>181,672</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management

#### (a) Introduction and overview:

By their nature, the Group's activities are principally related to the use of financial instruments. The Group's activities therefore expose it to a variety of financial risks: credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and price risk. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees for managing and monitoring risks, as follows:

- (i) Investment Management Committee
- (ii) Audit Committee

The Investment Management Committee oversees management's compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group accepts investments from customers at both fixed and floating rates and for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets.

The Group seeks to increase these margins by consolidating short-term funds and investing for longer periods at higher rates while maintaining sufficient liquidity to meet encashments as they fall due.

The Group also trades in financial instruments where it takes positions to take advantage of short-term market movements in bond prices and in foreign exchange and interest rates. To manage the associated risks, trading limits are placed on the level of exposure that can be taken.

#### Impact of Covid 19

In response to Covid 19, appropriate measures were taken by management to mitigate any impact of the pandemic. These included but are not limited to:

1. The implementation of a Group Liquidity Assessment and Strategy Response, which included a Liquidity Recovery Plan for all subsidiaries and related entities guided by the recommendations of the regulators. The key aspects of the Plan are aimed at:
  - Assessing the daily inflow and outflow of funds (liquidity forecasting)
  - Identifying and assessing the adequacy of financial resources for contingent needs
  - Implementing measures geared at strengthening the entity's capital base
  - Clear description of the escalation and decision-making process in place to ensure that the Plan is executed timely.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (a) Introduction and overview (continued):

##### Impact of Covid 19

2. The Investment Management Committee and Asset & Liabilities Committee within the Group meet frequently to monitor liquidity and capital management issues that might arise.
3. The implementation of Group-wide policies and technological infrastructural changes, designed to allow staff to work from home.

##### Measures Adopted

4. Implementing measures to assist clients during the crisis, including:
  - Considerations for payments moratorium where required.
  - Endorsing and encouraging the use of digital mediums for transactions and where possible, waiving associated fees.
  - Revisiting loan terms to facilitate revisions where possible.

#### (b) Credit risk:

##### **Management of credit risk attaching to key financial assets**

##### Investment securities and loans receivable

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratios and the default correlations between counterparties.

The Group uses ECL models developed by independent service providers to determine the ECL allowances for its investments and loans receivable. The models measure credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The Group uses a provision matrix in applying the simplified model for trade receivables.

The maximum credit exposure, the total amount of loss the Group would suffer if every counterparty to the Group's financial assets were to default at once, is represented by the carrying amount of financial assets exposed to credit risk.

The COVID-19 pandemic caused significant market volatility which has increased the Group's credit risk exposure. The downgrading of credit ratings and falling market prices resulted in an increase in the ECL due to the changes occurring in market conditions. The repositioning of the financial assets portfolio across the Group has served to significantly reduce the negative market impacts on the ECL position during the financial year.

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

## (b) Credit risk:

**Management of credit risk attaching to key financial assets**

Investment securities and loans receivable

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

- Debt securities and other financial assets at amortised cost:

	2022			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<b>Credit grade</b>				
Cash and cash equivalents and resale agreements	294,385	-	-	294,385
Investment grade securities	2,108	114	-	2,222
Non-investment grade securities	95,657	8,054	-	103,711
Other assets	<u>20,255</u>	<u>1,085</u>	<u>2</u>	<u>21,342</u>
	412,405	9,253	2	421,660
Allowance for impairment losses	( <u>360</u> )	( <u>897</u> )	( <u>2</u> )	( <u>1,259</u> )
	<u>412,045</u>	<u>8,356</u>	( <u>-</u> )	<u>420,401</u>

	2022				2021
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Ageing of trade assets:</b>					
1-30 days category	3,572	-	-	3,572	-
31-90 days category	-	1,085	-	1,085	-
Over 90 days category	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
	3,572	1,085	2	4,659	-
Allowance for impairment losses	( <u>9</u> )	( <u>413</u> )	( <u>2</u> )	( <u>424</u> )	<u>-</u>
	<u>3,563</u>	<u>672</u>	<u>-</u>	<u>4,235</u>	<u>-</u>

	2021		
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Total</u>
	\$'000	\$'000	\$'000
<b>Credit grade</b>			
Cash and cash equivalents and resale agreements	158,316	-	158,316
Other assets	13,850	-	13,850
Investment grade securities	19,669	-	19,669
Non-investment grade securities	<u>19,767</u>	<u>5,551</u>	<u>25,318</u>
	211,602	5,551	217,153
Allowance for impairment losses	( <u>346</u> )	( <u>28</u> )	( <u>374</u> )
	<u>211,256</u>	<u>5,523</u>	<u>216,779</u>
	<u>137,368</u>	<u>4,725</u>	<u>142,093</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

#### Management of credit risk attaching to key financial assets (continued)

Investment securities and loans receivable (continued)

- Debt securities at FVOCI:

	2022				2021		
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Credit grade</b>							
Investment grade	145,534	141	-	145,675	143,734	-	143,734
Non-investment grade	<u>59,070</u>	<u>752</u>	<u>35</u>	<u>59,857</u>	<u>58,066</u>	<u>-</u>	<u>58,066</u>
	<u>204,604</u>	<u>893</u>	<u>35</u>	<u>205,532</u>	<u>201,800</u>	<u>-</u>	<u>201,800</u>
ECL charge	( <u>492</u> )	( <u>24</u> )	( <u>21</u> )	( <u>537</u> )	( <u>462</u> )	<u>-</u>	( <u>462</u> )

- Loans receivable at amortised cost:

	2022			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<b>Ageing of loans receivable</b>				
Current	168,732	-	-	168,732
Past due 1-30 days	12,340	-	-	12,340
Past due 61-90 days	-	496	-	496
Over 90 days	<u>22,827</u>	<u>-</u>	<u>3,718</u>	<u>26,545</u>
	203,899	496	3,718	208,113
Loss allowance	( <u>530</u> )	<u>-</u>	( <u>207</u> )	( <u>737</u> )
Total	<u>203,369</u>	<u>496</u>	<u>3,511</u>	<u>207,376</u>
<b>Guarantees and letters of credit</b>				
Loss allowance	( <u>254</u> )	<u>-</u>	<u>-</u>	( <u>254</u> )

	2021		
	<u>Stage 1</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000
<b>Ageing of loans receivable</b>			
Current	14,583	-	14,583
Over 90 days	<u>17,630</u>	<u>75</u>	<u>17,705</u>
	32,213	75	32,288
Loss allowance	( <u>251</u> )	( <u>75</u> )	( <u>326</u> )
Total	<u>31,962</u>	<u>-</u>	<u>31,962</u>
<b>Guarantees and letters of credit</b>			
Loss allowance	( <u>279</u> )	<u>-</u>	( <u>279</u> )

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

##### **Management of credit risk attaching to key financial assets (continued)**

The key judgements and assumptions adopted by the Group in addressing the requirements of IFRS 9 are discussed below:

##### *Credit risk grades*

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty.

Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for personal exposures; and turnover and industry type for commercial exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models incorporate expert judgement from the Credit Risk Officers in determining the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the standard data inputs into the model.

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are monitored and regularly updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

##### *Determining whether credit risk has been increased significantly (Stage 2)*

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in Probabilities of Default (PD). Credit risk is deemed to increase significantly where the probability of default on a security or a loan has moved by six (6) basis points;
- qualitative indicators; and
- a backstop of 30 days past due, determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is monitored for evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37 Financial instruments - risk management (continued)

## (b) Credit risk (continued):

**Management of credit risk attaching to key financial assets (continued)***Incorporation of forward-looking information*

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

Expert judgment has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are provided by the Group’s Finance team and provide the best and worst estimate view of the economy.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and comparing historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group considers other possible scenarios and scenario weightings. The Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

#### **Management of credit risk attaching to key financial assets (continued)**

##### *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of the following:

Life time PD models calculate probabilities of default at a minimum of an annual frequency all the way out for 20 years. Beyond 20 years, due to lack of available data and the challenge of predicting PDs this far into the future, the model assumes that the 20 year annual marginal PD holds constant from the 20 year mark until maturity.

LGD is the magnitude of the likely loss if there is a default. The recovery rate model provides transparent, timely (point-in-time), quantitative estimates of recovery rates of issues within different liability classes of a given counterparty.

The bond recovery rate model is based on historically realised recovery rates of defaulted bonds. Realised recovery rates are defined as the trading price of defaulted bonds approximately 30 days after default. Effectively, the model is a non-linear factor based model. Historical recovery rate data was compared to a variety of factors in order to determine correlations between these factors and the amount recovered (as defined above). These correlations were then used to determine the coefficients in a non-linear factor model which is used for projecting recovery rates and losses prospectively. The output from this model can be used either on a stand-alone basis to estimate recovery by specific liability class upon default, or as inputs to a more comprehensive portfolio credit risk management system.

EAD represents the expected exposure in the event of a default. The Group uses an established third party service provider to determine client-specific exposure at default (“EAD”) amounts on a position-by position or lot-by-lot basis. In preparing the full lifetime ECL calculation, the EAD is calculated at annual intervals from the reporting date out to maturity. The reporting date, transaction date and transaction price are used to calculate the accounting exposure at default. If not provided, an effective interest rate is calculated using the transaction date and price (see section below) and is applied to the future cash flows of the particular instrument to discount these cash flows. This is done on an annual basis from reporting date out to maturity.

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

## (b) Credit risk (continued):

**Management of credit risk attaching to key financial assets (continued)**

## Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

- Debt securities, loans receivable and resale agreements at amortised cost:

	<u>Stage 1</u> \$'000	<u>Stage 2</u> \$'000	<u>Stage 3</u> \$'000	<u>Total</u> \$'000
Balance at March 31, 2020	( 807)	( 77)	( 88)	( 972)
Net re-measurement of loss allowance	( 8)	49	13	54
Foreign currency adjustment	<u>(61)</u>	-	-	<u>(61)</u>
Balance at March 31, 2021	<u>(876)</u>	<u>(28)</u>	<u>(75)</u>	<u>(979)</u>
Net re-measurement of loss allowance	( 141)	(869)	( 120)	( 1,130)
Foreign currency adjustment	<u>(127)</u>	-	<u>(14)</u>	<u>(141)</u>
Balance at March 31, 2022	<u>(1,144)</u>	<u>(897)</u>	<u>(209)</u>	<u>(2,250)</u>

- Debt securities at FVOCI:

	<u>Stage 1</u> \$'000	<u>Stage 2</u> \$'000	<u>Stage 3</u> \$'000	<u>Total</u> \$'000
Balance at March 31, 2020	( 809)	(139)	-	( 948)
Net re-measurement of loss allowance	320	139	-	459
Foreign currency adjustment	<u>27</u>	-	-	<u>27</u>
Balance at March 31, 2021	<u>(462)</u>	-	-	<u>(462)</u>
Net re-measurement of loss allowance	( 41)	( 24)	( 21)	( 86)
Foreign currency adjustment	<u>11</u>	-	-	<u>11</u>
Balance at March 31, 2022	<u>(492)</u>	<u>(24)</u>	<u>(21)</u>	<u>(537)</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

#### **Management of credit risk attaching to key financial assets (continued)**

#### Loss allowance (continued)

#### (i) Maximum exposure to credit risk:

The Group manages its credit risk exposure as follows:

- Cash and cash equivalents

These are held with reputable, regulated financial institutions. Collateral is not required for such accounts, as management regards the institutions as strong.

- Resale agreements

Collateral is held for resale agreements in amounts that secure the collection of both principal and interest.

- Investment securities

The Group manages the level of risk it undertakes by investing substantially in sovereign debt instruments and with other counterparties that have acceptable credit ratings.

- Accounts receivable

Exposure to credit risk is managed by regular analysis of the ability of the customers and other counterparties to meet repayment obligations.

- Loans receivable

The Group's policy requires that proposed significant loans are approved by the Investment Committee prior to disbursement, with the Committee thereafter monitoring the performance of the credit.

#### (b) Credit risk (continued):

#### (ii) Concentration of credit risk:

The Group holds significant amounts of debt securities issued by Government of Jamaica and Bank of Jamaica. There is no other significant concentration of credit risk.

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

## (c) Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. Prudent liquidity risk management procedures which the Group applies include maintaining sufficient cash and marketable securities and monitoring future cash flows and liquidity daily.

During the year the Group observed a general recovery in fair value of its investment portfolio following the market volatility associated with the Covid 19 pandemic. Management has performed various assessments and stress testing of its business plans under multiple scenarios, as part of its business continuity and contingency planning. The risks of the proprietary and investment portfolio have also been examined by the management team particularly with respect to market and liquidity risks exposures and no deterioration is noted.

## (i) Liquidity risk management:

The Group's liquidity management process, as monitored by the Investment Management Committee, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can readily be liquidated as protection against any unforeseen interruption to cash flows;
- (iii) Optimising cash returns on investment;
- (iv) Monitoring liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and
- (v) Managing the concentration and profile of debt maturities. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

## (c) Liquidity risk (continued):

## (i) Liquidity risk management (continued):

## (v) Managing the concentration and profile of debt maturities (continued).

The table below presents the undiscounted cash flows of the Group's financial liabilities (both interest and principal cash flows) based on contractual repayment obligations:

	2022							Carrying amount \$'000
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	No specific maturity date \$'000	Total contractual outflow \$'000	
<b>Liabilities</b>								
Repurchase agreements	33,706	26,480	7,496	2,359	-	-	70,041	67,243
Owed to related parties	-	-	-	-	-	662	662	662
Notes payable	-	-	16,833	207,684	6,436	-	230,953	210,768
Other liabilities	7,173	-	9,381	-	-	4,783	21,337	21,770
Due to banks	420	-	100	-	-	-	520	520
Due to customers	10,961	2,028	4,549	-	-	643,958	661,496	661,493
Deferred income	-	-	-	9,319	-	-	9,319	9,319
Preference shares	-	-	-	-	-	1	1	1
Lease liabilities	19	58	273	1,053	276	-	1,679	1,679
<b>Total financial liabilities</b>	<b>52,279</b>	<b>28,566</b>	<b>38,632</b>	<b>220,415</b>	<b>6,712</b>	<b>649,404</b>	<b>996,008</b>	<b>973,455</b>
	2021							
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	No specific maturity date \$'000	Total contractual outflow \$'000	Carrying amount \$'000
<b>Liabilities</b>								
Repurchase agreements	33,483	29,013	5,244	881	-	-	68,621	68,318
Owed to related parties	-	-	-	-	-	1,548	1,548	1,548
Notes payable	11,248	537	28,330	132,989	-	-	173,104	134,845
Other liabilities	2,550	-	-	-	-	4,330	6,880	6,877
Due to banks	420	-	100	-	-	-	520	520
Due to customers	279,630	2,029	4,647	-	-	-	286,306	286,293
Deferred income	-	-	-	3,910	-	-	3,910	3,910
Preference shares	-	-	-	-	-	1	1	1
Lease liabilities	22	46	320	1,373	-	-	1,761	2,013
<b>Total financial liabilities</b>	<b>327,353</b>	<b>31,625</b>	<b>38,641</b>	<b>139,153</b>	<b>5,879</b>	<b>5,879</b>	<b>542,651</b>	<b>504,325</b>

## (d) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market.

These arise mainly from changes in interest rate, foreign currency rates and equity prices and will affect the Group's income or the value of its holdings of financial instruments.

Market risk is monitored by the Investment Management Committee which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (d) Market risk (continued):

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. These arise mainly from changes in interest rate, foreign currency rates and equity prices and will affect the Group's income or the value of its holdings of financial instruments. Market risk is monitored by the Investment Management Committee, which carries out extensive research and monitors the price movement of financial assets on the local and international markets.

The COVID-19 pandemic caused significant market volatility which increased the Group's market risk exposure. The downgrading of credit ratings and/or outlooks for investment securities has increased the cost of funding to manage liquidity risk. The reposition of the financial assets portfolio across the Group has served to significantly reduce the negative market risk impacts during the financial year.

#### (i) Foreign currency risk:

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the functional currency. The main currencies giving rise to this risk are the Jamaica dollar (JMD), Great Britain Pound (GBP), Canadian Dollar (CAD), Euro (EUR) and the Australian Dollar (AUD). The Group manages this risk by matching foreign currency assets with foreign currency liabilities, to the extent practicable. The net foreign currency exposure is kept to the targeted levels by buying or selling currencies at spot rates when necessary to address imbalances.

At the reporting date, exposure to foreign currency risk was as follows:

	<u>2022</u>					
	<u>JMD</u>	<u>EUR</u>	<u>GBP</u>	<u>CAD</u>	<u>AUD</u>	<u>Other</u>
	\$'000	€'000	£'000	\$'000	\$'000	\$'000
<b>Assets</b>						
Cash and cash equivalents	270,734	7,251	17,700	3,435	9,286	4,652
Resale agreements	1,178,081	-	-	-	-	-
Investment securities	4,501,277	15,321	8,803	-	748	170
Loans receivable	2,513,641	-	-	-	-	-
Other	<u>590,899</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>	<u>1,020</u>
	<u>9,054,632</u>	<u>22,572</u>	<u>26,513</u>	<u>3,435</u>	<u>10,034</u>	<u>5,842</u>
<b>Liabilities</b>						
Repurchase agreements	4,098,962	-	117	-	-	-
Notes payable	8,639,438	-	-	-	-	-
Due to customers	-	23,143	26,773	3,279	10,056	4,649
Other	<u>128,101</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,362</u>
	<u>12,866,501</u>	<u>23,145</u>	<u>26,890</u>	<u>3,279</u>	<u>10,056</u>	<u>6,011</u>
Net position	<u>(3,811,869)</u>	<u>(573)</u>	<u>(377)</u>	<u>156</u>	<u>(22)</u>	<u>(169)</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

## (d) Market risk (continued):

## (i) Foreign currency risk (continued):

	2021					
	<u>JMD</u>	<u>GBP</u>	<u>CAD</u>	<u>EUR</u>	<u>AUD</u>	<u>Other</u>
	\$'000	£'000	\$'000	€'000	\$'000	\$'000
<b>Assets</b>						
Cash and cash equivalents	416,739	5,963	2,501	11,995	9,351	4,232
Resale agreements	790,702	-	-	-	-	-
Investment securities	3,567,772	6,791	-	16,838	772	719
Loans receivable	2,111,514	-	-	-	-	163
Other	<u>1,494,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,022</u>
	<u>8,381,157</u>	<u>12,754</u>	<u>2,501</u>	<u>28,833</u>	<u>10,123</u>	<u>6,136</u>
<b>Liabilities</b>						
Repurchase agreements	2,502,322	-	-	-	-	-
Owed to related parties	-	144	10	-	-	-
Notes payable	8,153,810	-	-	-	-	-
Deposits from other banks	-	12,390	2,291	28,622	10,104	4,813
Other	<u>610,142</u>	<u>8</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>1,459</u>
	<u>11,266,274</u>	<u>12,542</u>	<u>2,301</u>	<u>28,626</u>	<u>10,104</u>	<u>6,272</u>
Net position	<u>(2,885,117)</u>	<u>212</u>	<u>200</u>	<u>207</u>	<u>19</u>	<u>(136)</u>

*Sensitivity to exchange rate movements:*

The following indicates the sensitivity to changes in foreign currency exchange rates of the Group's profit and shareholders' equity. It is computed by applying a reasonably possible change in exchange rates to foreign currency denominated monetary assets and liabilities as assessed by management at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

(d) Market risk (continued):

(i) Foreign currency risk (continued):

*Sensitivity to exchange rate movements (continued):*

	2022					
	% change in currency rate	Effect on profit \$'000	Effect on comprehensive income \$'000	% change in currency rate	Effect on profit \$'000	Effect on comprehensive income \$'000
Currency:						
JMD	2% Revaluation	( 507)	-	8% Devaluation	1,839	-
GBP	2% Revaluation	( 6)	-	8% Devaluation	17	-
CAD	2% Revaluation	4	-	8% Devaluation	( 11)	-
AUD	2% Revaluation	-	-	8% Devaluation	-	-
EUR	2% Revaluation	( 11)	-	8% Devaluation	29	-
	2021					
	% change in currency rate	Effect on profit \$'000	Effect on comprehensive income \$'000	% change in currency rate	Effect on profit \$'000	Effect on comprehensive income \$'000
Currency:						
JMD	2% Revaluation	( 407)	-	6% Devaluation	1,127	-
GBP	2% Revaluation	3	-	6% Devaluation	( 8)	-
CAD	2% Revaluation	5	-	6% Devaluation	( 14)	-
AUD	2% Revaluation	-	-	6% Devaluation	-	-
EUR	2% Revaluation	3	-	6% Devaluation	( 10)	-

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

## (d) Market risk (continued):

## (ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, where possible and to the extent judged appropriate, the maturity profile of its financial assets is matched by that of its financial liabilities; where gaps are deliberately arranged, management expects that its monitoring will, on a timely basis, identify the need to take appropriate action to close a gap if it becomes necessary.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk.

The Group's interest rate risk management policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-earning financial assets and interest-bearing financial liabilities. The Investment Management Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by management and reported monthly to the Committee.

The table below summarises exposure to interest rate risk. Included in the tables are the carrying amounts of financial assets and financial liabilities, categorised by the earlier of contractual repricing and maturity dates.

	2022						Total \$'000
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non- interest sensitive \$'000	
<b>Assets</b>							
Cash and cash equivalents	88,261	29,089	-	1,869	-	166,928	286,147
Resale agreements	5,586	908	-	-	-	1,743	8,237
Investment securities	16,040	5,630	90,417	137,093	78,675	7,337	335,192
Loans receivable	5,827	3,050	179,843	15,904	2,752	-	207,376
Other assets	4,665	-	3	-	-	18,295	22,963
<b>Total assets</b>	<b>120,379</b>	<b>38,677</b>	<b>270,263</b>	<b>154,866</b>	<b>81,427</b>	<b>194,303</b>	<b>859,915</b>
<b>Liabilities</b>							
Repurchase agreements	31,305	26,310	7,329	2,299	-	-	67,243
Owed to related parties	-	-	-	-	-	662	662
Notes payable	28,394	-	6,754	127,493	48,127	-	210,768
Other liabilities	689	-	9,381	-	560	11,140	21,770
Deposits from other banks	-	-	100	-	-	420	520
Due to customers	9,361	1,721	1,788	420	1,696	646,507	661,493
Deferred income	-	-	-	9,319	-	-	9,319
Lease liabilities	29	78	243	1,053	276	-	1,679
Preference shares	-	-	-	-	-	1	1
<b>Total liabilities</b>	<b>69,778</b>	<b>28,109</b>	<b>25,595</b>	<b>140,584</b>	<b>50,659</b>	<b>658,730</b>	<b>973,455</b>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (d) Market risk (continued):

#### (ii) Interest rate risk (continued):

	2022						
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non- interest sensitive \$'000	Total \$'000
Interest rate sensitivity gap	<u>50,601</u>	<u>10,568</u>	<u>244,668</u>	<u>14,282</u>	<u>30,768</u>	<u>(464,427)</u>	<u>(113,540)</u>
Cumulative interest rate sensitivity gap	<u>50,601</u>	<u>61,169</u>	<u>305,837</u>	<u>320,119</u>	<u>350,887</u>	<u>(113,540)</u>	<u>-</u>
	2021						
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non- interest sensitive \$'000	Total \$'000
<b>Assets</b>							
Cash and cash equivalents	74,199	27,090	-	-	-	50,570	151,859
Resale agreements	3,623	1,035	-	-	-	1,800	6,458
Investment securities	27,860	18,702	22,620	116,314	73,335	6,460	265,291
Loans receivable	9,772	3,939	2,930	14,420	901	-	31,962
Other assets	<u>6,444</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>7,546</u>	<u>13,994</u>
Total assets	<u>121,898</u>	<u>50,766</u>	<u>25,554</u>	<u>130,734</u>	<u>74,236</u>	<u>66,376</u>	<u>469,564</u>
<b>Liabilities</b>							
Repurchase agreements	33,428	28,871	5,161	858	-	-	68,318
Owed to related parties	-	-	-	-	-	1,548	1,548
Notes payable	28,582	-	12,596	49,304	44,175	188	134,845
Other liabilities	-	-	-	-	786	6,091	6,877
Deposits from other banks	-	-	100	-	-	420	520
Due to customers	10,961	2,028	4,549	-	-	268,755	286,293
Deferred income	-	-	-	-	-	3,910	3,910
Lease liabilities	25	53	248	1,261	426	-	2,013
Preference shares	-	-	-	-	-	1	1
Total liabilities	<u>72,996</u>	<u>30,952</u>	<u>22,654</u>	<u>51,423</u>	<u>45,387</u>	<u>280,913</u>	<u>504,325</u>
Interest rate sensitivity gap	<u>48,902</u>	<u>19,814</u>	<u>2,900</u>	<u>79,311</u>	<u>28,849</u>	<u>(214,537)</u>	<u>( 34,761)</u>
Cumulative interest rate sensitivity gap	<u>48,902</u>	<u>68,716</u>	<u>71,616</u>	<u>150,927</u>	<u>179,776</u>	<u>( 34,761)</u>	<u>-</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

## (d) Market risk (continued):

## (ii) Interest rate risk (continued):

The table below summarises the effective interest rate by major currencies for financial instruments at the reporting date.

	2022		2021	
	JMD	USD	JMD	USD
	%	%	%	%
<b>Assets</b>				
Resale agreements	5.44	3.7	2.33	2.20
Investment securities	4.7	8.53	3.15	6.45
Loans receivable	9.66	7.15	6.78	4.68
<b>Liabilities</b>				
Repurchase agreements	3.97	2.79	1.78	2.17
Notes payable	4.25	4.9	4.04	2.38
Preference shares	<u>16.27</u>	<u>-</u>	<u>16.27</u>	<u>-</u>

*Sensitivity to interest rate movements*

The following table indicates the sensitivity to interest rate movements in basis points (bps) at the reporting date, on the Group's profit or loss and shareholders' equity. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2022		2021	
	Effect on	Effect on	Effect on	Effect on
	<u>profit</u>	<u>equity</u>	<u>profit</u>	<u>equity</u>
	\$'000	\$'000	\$'000	\$'000
J\$ interest rates	Increase by 300 bps		Increase by 100 bps	
US\$ interest rates	Decrease by 50 bps		Decrease by 100 bps	
US\$ interest rates	Increase by 150 bps		Increase by 100 bps	
	Decrease by 50 bps		Decrease by 100 bps	
Direction of change in basis points:				
Increase in interest rates	(26)	326	( 9)	1,006
Decrease in interest rates	<u>4</u>	<u>(5,192)</u>	<u>9</u>	<u>(2,173)</u>

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

37. Financial instruments - risk management (continued)

## (d) Market risk (continued):

## (iii) Price risk:

*Sensitivity to equity price movements*

Equity price risk arises from equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximize risk-adjusted investment returns.

The Group's exposure to price risk is represented by the total carrying value of equity investments on the statement of financial position of \$5,669,000 (2021: \$7,547,000).

A 5% (2021: 5%) increase in stock prices at March 31, 2022 would have increased profit by \$283,400 (2021: \$377,300); a 5% (2021: 5%) decrease in stock prices as at the reporting date would result in a decrease in profit by \$283,400 (2021: \$377,300).

## (e) Capital management:

The Group's objectives when managing capital, as it applies to the regulated subsidiaries, are as follows:

- (i) To comply with the capital requirements set by the Financial Services Commission ("the FSC") in Jamaica, Financial Services Regulatory Authority ("the FSA") in St. Lucia and Cayman Islands Monetary Authority ("CIMA") in Cayman Islands;
- (ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on the guidelines developed by the FSC, the FSA and CIMA. The required information is filed with the FSC on a monthly basis and with the FSA and CIMA on a quarterly basis.

The FSC requires each securities dealer to:

- (i) Hold the level of the regulatory capital at no less than 50% of Tier 1 Capital; and
- (ii) Maintain a ratio of total regulatory capital to the risk-weighted assets at or above 10%.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (e) Capital management (continued):

The Jamaican subsidiary's regulatory capital is managed by its compliance officer and is divided into two tiers:

- Tier 1 capital: issued and fully paid-up capital in the form of ordinary shares, retained earnings and reserves; and
- Tier 2 capital: redeemable cumulative preference shares.

The risk-weighted assets are measured by means of stipulated weights applied to the risk-based assets and other risk exposures as determined by the FSC.

St. Lucia regulator, (the FSA) requires each bank or banking group to:

- (i) hold the minimum level of the regulatory capital of \$1,000,000, and
- (ii) maintain a ratio of total regulatory capital to risk-weighted assets (the “Basel capital ratio”) at or above the prescribed regulatory minimum and maintain a ratio of total regulatory Tier 1 capital to risk-weighted assets (the “Basel capital adequacy ratio”) at or above the prescribed regulatory minimum.

Investments in associates are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

The Cayman Islands regulator, (CIMA) requires each bank to :

- (i) hold the minimum level regulatory capital of \$400,000, and
  - (ii) maintain a ratio of total regulatory capital to risk-weighted assets at or above a minimum of 15.00%.
- Tier 1 – share capital, retained earnings and reserves created by appropriations of retained earnings, reduced by the carrying value of goodwill and investments in associates.
  - Tier 2 – qualifying subordinated loans, collective loan impairment provisions and unrealised gains that result from measuring equity instruments at fair value.

Risk-weighted assets are measured based on a hierarchy of five (5) risk weights taking into consideration the nature and estimate of credit, market and other risks associated with each asset and counterparty, adjusted for eligible collateral or guarantees. Similar treatment is applied to off-balance sheet exposures

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 37. Financial instruments - risk management (continued)

#### (e) Capital management (continued):

The table below summarises the composition of regulatory capital and the ratios of the Company's subsidiaries that are regulated by the FSC, the FSA and CIMA. These ratios were in compliance with the requirements of the respective regulators throughout the year.

	Proven Wealth Limited		International Financial Planning Jamaica Limited		BOSLIL Bank Ltd		Fidelity Bank Cayman Ltd	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Tier 1 capital:</b>								
Ordinary shares	434	460	4,448	4,713	8,277	8,277	3,800	-
Retained earnings and reserves	<u>14,693</u>	<u>14,443</u>	<u>(3,215)</u>	<u>(3,391)</u>	<u>19,977</u>	<u>19,843</u>	<u>21,798</u>	<u>-</u>
Total qualifying tier 1 capital	<u>15,127</u>	<u>14,903</u>	<u>1,233</u>	<u>1,322</u>	<u>28,254</u>	<u>28,120</u>	<u>25,598</u>	<u>-</u>
<b>Tier 2 capital:</b>								
Unrealised losses	-	-	-	-	( 8,483)	( 451)	-	-
Redeemable preference shares, being total qualifying tier 2 capital	<u>217</u>	<u>230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total regulatory capital</b>	<u>15,344</u>	<u>15,133</u>	<u>1,233</u>	<u>1,322</u>	<u>19,771</u>	<u>27,669</u>	<u>25,598</u>	<u>-</u>
<b>Total risk-weighted assets</b>	<u>79,716</u>	<u>69,608</u>	<u>1,080</u>	<u>1,313</u>	<u>181,099</u>	<u>238,064</u>	<u>162,277</u>	<u>-</u>

The regulators require the subsidiaries to maintain certain specific ratios, as follows:

	Proven Wealth Limited		International Financial Planning Jamaica Limited		BOSLIL Bank Ltd		Fidelity Bank Cayman Ltd	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(i) Tier 1 capital to total regulatory capital:								
Minimum required	50.00%	50.00%	50.00%	50.00%	-	-	-	-
Actual	<u>98.58%</u>	<u>98.48%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(ii) Regulatory capital to total assets:								
Minimum required	6.00%	6.00%	6.00%	6.00%	-	-	-	-
Actual	<u>14.70%</u>	<u>14.20%</u>	<u>96.07%</u>	<u>95.27%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(iii) Regulatory capital to risk-weighted assets:								
Minimum required	10.00%	10.00%	10.00%	10.00%	-	-	15.00%	-
Actual	<u>19.25%</u>	<u>21.74%</u>	<u>114.20%</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>15.77%</u>	<u>-</u>
(iv) Basel capital ratio:								
Minimum required	-	-	-	-	4.00%	4.00%	-	-
Actual	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15.79%</u>	<u>11.80%</u>	<u>-</u>	<u>-</u>
(v) Basel capital adequacy ratio:								
Minimum required	-	-	-	-	8.50%	8.50%	-	-
Actual	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10.83%</u>	<u>11.62%</u>	<u>-</u>	<u>-</u>

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 38. Financial instruments – fair values

#### (a) Definition and measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where a quoted market price is available for an asset or liability, fair value is computed using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques, making use of observable data as far as possible.

Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

Level 1 refers to financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 refers to financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3 refers to financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are based on available market data.

## Notes to the Consolidated Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 38. Financial instruments – fair values (continued)

#### (b) Valuation techniques for investment securities classified as Level 2

<b>Type</b>	<b>Valuation techniques</b>
Foreign currency forward contracts	<ul style="list-style-type: none"> <li>• Obtain last traded price of the forward on the date of valuation, provided by the recognised broker/dealer through which the forward contract is obtained.</li> <li>• Apply price to estimate fair value.</li> </ul>
Government of Jamaica securities:	
US\$ Denominated Securities	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised independent source, namely, Bloomberg.</li> <li>• Apply price to estimate fair value.</li> </ul>
J\$ Denominated Securities	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised industry source (which uses Jamaica-market source indicative bids).</li> <li>• Apply price to estimate fair value.</li> </ul>
Global bonds	<ul style="list-style-type: none"> <li>• Obtain bid price provided by recognised independent pricing source, namely, Bloomberg.</li> <li>• Apply price to estimate fair value.</li> </ul>
Mutual funds	<ul style="list-style-type: none"> <li>• Obtain prices quoted by unit trust managers.</li> <li>• Apply price to estimate fair value.</li> </ul>
Corporate bonds	<ul style="list-style-type: none"> <li>• Obtained bid price provided by recognised independent pricing source, namely, Bloomberg.</li> <li>• Apply price to estimate fair value.</li> </ul>
Credit-linked notes	<ul style="list-style-type: none"> <li>• Obtain price based on the quoted price of the underlying credit default swap which is derived from Bloomberg on the valuation date, plus the valuation of the underlying note.</li> <li>• Apply price to estimate fair value.</li> </ul>

## PROVEN INVESTMENTS LIMITED

**Notes to the Consolidated Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

38. Financial instruments – fair values (continued)

## (c) Accounting classifications and fair values:

The following table shows the classification of financial assets and financial liabilities and their carrying amounts.

Where the carrying amounts of financial assets and financial liabilities are measured at fair value, their levels in the fair value hierarchy are also shown. The Group does not disclose the fair values of cash and cash equivalents, loans receivable and notes payable because the carrying amounts of these financial instruments are a reasonable approximation of their fair values and are all considered to be within the level 2 of the fair value hierarchy.

	2022						
	Carrying amount				Fair value		
	Amortised cost \$'000	Financial assets at FVOCI \$'000	Financial assets at FVTPL \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000
Quoted equities	-	-	5,669	5,669	5,669	-	5,669
Global bonds	56,029	159,631	9,787	225,447	153,226	56,343	209,569
Government of Jamaica securities	-	27,094	-	27,094	-	27,094	27,094
Corporate bonds	49,277	8,579	-	57,856	-	57,856	57,856
Certificate of deposit	-	2,326	-	2,326	-	2,326	2,326
Foreign sovereign debt	-	7,902	-	7,902	-	7,902	7,902
Investments in unit trust	-	-	6,103	6,103	-	6,103	6,103
Private equity funds	-	-	443	443	-	443	443
Call/put options	-	-	2,352	2,352	-	2,352	2,352
	<u>105,306</u>	<u>205,532</u>	<u>24,354</u>	<u>335,192</u>	<u>158,895</u>	<u>160,419</u>	<u>319,314</u>
	2021						
	Carrying amount				Fair value		
	Amortised cost \$'000	Financial assets at FVOCI \$'000	Financial assets at FVTPL \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000
Quoted equities	-	-	7,547	7,547	6,557	990	7,547
Global bonds	18,538	148,252	-	166,790	145,518	21,405	166,923
Government of Jamaica securities	-	26,853	-	26,853	-	26,853	26,853
Corporate bonds	8,850	17,581	-	26,431	-	26,431	26,431
Certificate of deposit	17,446	2,000	-	19,446	-	19,446	19,446
Foreign sovereign debt	-	7,114	4,792	11,906	3,048	8,858	11,906
Private equity funds	-	-	405	405	-	405	405
Investments in unit trust	-	-	5,913	5,913	-	5,913	5,913
	<u>44,834</u>	<u>201,800</u>	<u>18,657</u>	<u>265,291</u>	<u>155,123</u>	<u>110,301</u>	<u>265,424</u>

PROVEN INVESTMENTS LIMITED

# Company Financial Statements

**KPMG**

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**INDEPENDENT AUDITORS' REPORT**

To the Members of  
PROVEN INVESTMENTS LIMITED

*Opinion*

We have audited the separate financial statements of Proven Investments Limited ("the Company"), set out on pages 166 to 213, which comprise the separate statement of financial position as at March 31, 2022, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at March 31, 2022, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Saint Lucia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG in Barbados and the Eastern Caribbean, a partnership registered in Barbados, Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines, and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters.

*1. Measurement of Expected Credit Losses*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The determination of expected credit losses ('ECL') on financial assets is highly subjective and requires management to make significant judgement and estimates.</p> <p>The key areas requiring greater management judgement include the identification of significant increases in credit risk ('SICR'), the determination of probability of default, loss given default, exposure at default, management overlay and the application of forward-looking information.</p> <p>Management considered the following:</p> <ul style="list-style-type: none"> <li>- qualitative factors that create changes to SICR.</li> <li>- increased uncertainty about potential future economic scenarios and their impact on credit losses.</li> </ul>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the models used by management for the calculation of expected credit losses on financial assets.</li> <li>• Tested the completeness and accuracy of the data used in the models to the underlying accounting records on a sample basis.</li> <li>• Involved our financial risk modelling specialists to evaluate the appropriateness of the Company's impairment methodologies, including the criteria used to determine significant increases in credit risk and independently assessed the assumptions for probability of default, loss given default and exposure at default.</li> <li>• Involved our financial risk modelling specialists to evaluate the appropriateness of the Company's methodologies for determining management overlay and forward-looking information, which included evaluating the economic scenarios used and the probability weightings applied to them.</li> </ul>



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Key Audit Matters (Continued)**1. Measurement of Expected Credit Losses (continued)*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>Significant management judgement is used in determining the appropriate variables and assumptions used in the ECL calculations, which increases the risk of a material misstatement.</p> <p>Therefore, the impairment of financial assets has a high degree of estimation uncertainty.</p> <p><i>See notes 3(d) and 22(b) of the financial statements.</i></p>	<ul style="list-style-type: none"> <li>Assessed the adequacy of the disclosures of the key assumptions and judgements for compliance with IFRS 9.</li> </ul>

*2. Impairment of investment in subsidiaries and associates*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The carrying value of the Company's investments in subsidiaries and associates may not be recoverable due to changes in the business and economic environment in which the relevant subsidiaries operate. These factors create inherent uncertainty in forecasting and require significant judgement in estimating and discounting future cash flows that support the assessment of recoverability.</p> <p><i>See notes 3(f), 3(g), 7 and 8 of the financial statements.</i></p>	<p>Our audit procedures included testing the reasonableness of the Company's forecasts and discounted cash flow calculations, including:</p> <ul style="list-style-type: none"> <li>Evaluating whether there were indicators of impairment of the investments, considering the economic environment and business performance of each investee.</li> </ul>



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Key Audit Matters (Continued)*

*2. Impairment of investment in subsidiaries and associates (continued)*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
	<ul style="list-style-type: none"> <li>• Using our enterprise valuation specialists to evaluate the assumptions and methodologies used by management and to test the mathematical accuracy of the computations.</li> <li>• Comparing the Company's assumptions to externally derived data as well as our own assessments of key inputs, such as projected economic growth, competition, cost inflation and discount rates, as well as performing sensitivity analysis on the assumptions.</li> <li>• Comparing the sum of the discounted cash flows to each investee's market capitalisation, where applicable and our understanding of the market conditions, to assess the reasonableness of those estimates.</li> <li>• Assessing the adequacy of the Company's disclosures about the key assumptions and the sensitivity of the impairment assessments to changes in key assumptions.</li> </ul>



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Key Audit Matters (Continued)*

3. *Valuation of investment securities*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The valuation of the Company's investment securities requires significant estimation, which is impacted by uncertainty of market factors. The valuation of the Company's investments require significant estimation, as quoted prices are not available for all these instruments. Valuation of these investments, although based on observable inputs, involves the exercise of judgement and the use of assumptions.</p> <p><i>See notes 4 and 23 of the financial statements.</i></p>	<p>In performing our audit in respect of this matter, we did the following:</p> <ul style="list-style-type: none"> <li>Involved our valuation specialists in challenging the valuation methodologies and assumptions used by management to determine the fair value of investment securities. This included independent computations and comparison of the fair value of structured notes.</li> <li>Reviewed management's assessment and considered whether impairment is appropriately considered and reflected in the measurement of investments.</li> <li>Assessed the adequacy of the Company's disclosures about fair value measurements and the sensitivity of the fair values to changes in key assumptions.</li> </ul>

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Other Information (Continued)*

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

*Auditors' Responsibilities for the Audit of the Financial Statements (Continued)*

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 164–165, forms part of our auditors' report.

The engagement partner on the audit resulting in this independent auditors' report is Lisa Brathwaite.

A handwritten signature of the KPMG firm, written in a cursive style.

Chartered Accountants  
Castries  
Saint Lucia

June 29, 2022



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

**Appendix to the Independent Auditors' report**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

**Appendix to the Independent Auditors' report (continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

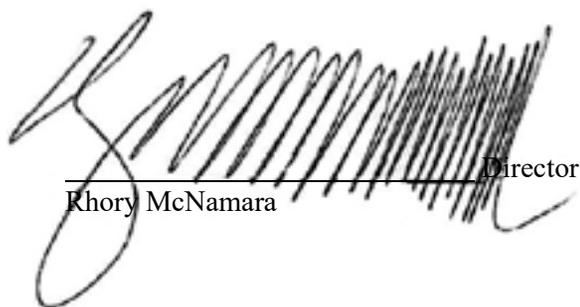
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

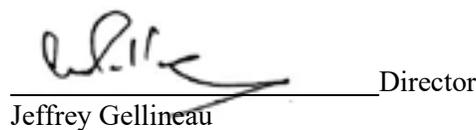
## Statement of Financial Position

As of March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
<b>ASSETS</b>			
Cash and cash equivalents	3(b)(ii)	2,973	6,989
Resale agreements	3(b)(iii)	2,126	-
Investment securities	4	11,648	30,430
Loans receivable	5	29,826	29,412
Other assets	6	1,235	2,752
Investment in subsidiaries	7	194,767	127,247
Income tax recoverable		196	196
Investment in associates	8	4,968	5,714
Owed by subsidiaries	9	<u>2,627</u>	<u>549</u>
Total assets		<u>250,366</u>	<u>203,289</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Liabilities			
Owed to related parties	9	2,825	1,548
Notes and loans payable	10	144,823	87,505
Other liabilities	11	2,402	1,527
Preference shares	12	<u>1</u>	<u>1</u>
Total liabilities		<u>150,051</u>	<u>90,581</u>
Stockholders' equity			
Share capital	13	115,754	115,754
Fair value reserve	14	( 477)	39
Accumulated deficit		<u>( 14,962)</u>	<u>( 3,085)</u>
Total stockholders' equity		<u>100,315</u>	<u>112,708</u>
Total liabilities and stockholders' equity		<u>250,366</u>	<u>203,289</u>

The financial statements on pages 166 to 213 were approved for issue by the Board of Directors on June 29, 2022 and signed on its behalf by:

  
 \_\_\_\_\_ Director  
 Rhory McNamara

  
 \_\_\_\_\_ Director  
 Jeffrey Gellineau

The accompanying notes form an integral part of the financial statements

## PROVEN INVESTMENTS LIMITED

**Statement of Profit or Loss and Other Comprehensive Income**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
<b>Net interest expense and other revenue</b>			
Interest income, calculated using the effective interest method	15	2,541	2,634
Interest expense	15	(3,900)	(3,017)
		(1,359)	(383)
Dividends		4,521	10,692
Net fair value adjustments and realised gains	16	97	984
Net foreign exchange gain		246	755
Loss on disposal of investment in associate	8(i)	(91)	-
<b>Operating revenue, net of interest expense</b>		3,414	12,048
<b>Other income</b>		914	65
Total		<u>4,328</u>	<u>12,113</u>
<b>Operating expenses</b>			
Staff costs	17	115	125
Impairment (reversal)/loss on loans and other assets		(67)	218
Impairment reversal on investments		(8)	(77)
Other operating expenses	18	<u>7,454</u>	<u>4,420</u>
Total		<u>7,494</u>	<u>4,686</u>
<b>Operating (loss)/profit</b>		(3,166)	7,427
Preference share dividend	20(f)	(2,556)	(2,743)
<b>(Loss)/ profit before income tax</b>		(5,722)	4,684
<b>Income tax credit</b>	19	-	254
<b>(Loss)/ profit for the year</b>		<u>(5,722)</u>	<u>4,938</u>
<b>Other comprehensive (loss)/ income</b>			
Items that are or may be reclassified to profit or loss:			
Realised gains /(losses) on securities at FVOCI		190	(649)
Unrealised (losses)/ gains on securities at FVOCI		(706)	2,804
Total other comprehensive (loss)/income		(516)	2,155
<b>Total comprehensive (loss)/income for the year</b>		<u>(6,238)</u>	<u>7,093</u>

## Statement of Changes in Equity

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	Share capital \$'000 (note 13)	Fair value reserve \$'000 (note 14)	Accumulated deficit \$'000	Total \$'000
<b>Balances at March 31, 2020</b>	<b><u>86,716</u></b>	<b><u>( 2,116)</u></b>	<b><u>( 2,987)</u></b>	<b><u>81,613</u></b>
<b>Total comprehensive income for 2021</b>				
Profit for the year	-	-	4,938	<u>4,938</u>
Other comprehensive income for the year				
Unrealised gains on debt securities at FVOCI	-	2,804	-	2,804
Realised losses on securities at FVOCI	<u>-</u>	<u>( 649)</u>	<u>-</u>	<u>( 649)</u>
Other comprehensive income	<u>-</u>	<u>2,155</u>	<u>-</u>	<u>2,155</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>2,155</u>	<u>4,938</u>	<u>7,093</u>
<b>Transactions with owners recorded directly in equity</b>				
Issue of Ordinary Shares [note 13(a)]	29,038	-	-	29,038
Dividends to equity holders (note 21)	<u>-</u>	<u>-</u>	<u>( 5,036)</u>	<u>( 5,036)</u>
<b>Balances at March 31, 2021</b>	<b><u>115,754</u></b>	<b><u>39</u></b>	<b><u>( 3,085)</u></b>	<b><u>112,708</u></b>
<b>Total comprehensive income for 2021</b>				
Loss for the year			( 5,722)	( 5,722)
Other comprehensive loss for the year				
Unrealised losses on debt securities at FVOCI	-	( 706)	-	( 706)
Realised gains on securities at FVOCI	<u>-</u>	<u>190</u>	<u>-</u>	<u>190</u>
Other comprehensive loss	<u>-</u>	<u>( 516)</u>	<u>-</u>	<u>( 516)</u>
<b>Total comprehensive loss for the year</b>	<u>-</u>	<u>( 516)</u>	<u>( 5,722)</u>	<u>( 6,238)</u>
<b>Transactions with owners recorded directly in equity</b>				
Dividends to equity holders (note 21)	<u>-</u>	<u>-</u>	<u>( 6,155)</u>	<u>( 6,155)</u>
<b>Balances at March 31, 2022</b>	<b><u>115,754</u></b>	<b><u>( 477)</u></b>	<b><u>(14,962)</u></b>	<b><u>100,315</u></b>

## PROVEN INVESTMENTS LIMITED

**Statement of Cash Flows**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
<b>Cash flows from operating activities</b>			
(Loss)/ profit for the year		( 5,722)	4,938
Adjustments for:			
Interest income	15	( 2,541)	( 2,634)
Interest expense	15	3,900	3,017
Dividend income		( 4,521)	(10,692)
Impairment (reversal)/loss on loans and other assets		( 67)	218
Impairment reversal on investments		( 8)	( 77)
Unrealised foreign exchange gain		( 246)	( 755)
Income tax	19	<u> -</u>	<u>( 254)</u>
		( 9,205)	( 6,239)
Change in operating assets and liabilities			
Investment securities		18,520	2,722
Loans receivable		( 414)	( 8,578)
Other assets		1,961	( 2,205)
Owed by subsidiaries		( 2,078)	1,975
Other liabilities		1,105	231
Repurchase agreements		( 2,541)	-
Owed to related party		<u> 976</u>	<u>( 716)</u>
		8,324	(12,810)
Interest received		2,578	2,874
Dividend received		4,521	10,692
Interest paid		( 4,129)	( 3,010)
Income tax received/ (paid)		<u> 746</u>	<u>( 130)</u>
Net cash provided/(used) by operating activities		<u>12,040</u>	<u>( 2,384)</u>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries		(67,520)	(28,018)
Movement on associate		-	105
Repayment of preference shares		<u> 301</u>	<u>1,344</u>
Net cash used by investing activities		<u>(67,219)</u>	<u>(26,569)</u>
<b>Cash flows from financing activities</b>			
Notes payable		57,318	10,057
Proceeds from the issue of ordinary shares	13(a)	-	29,038
Dividends paid	21	<u>( 6,155)</u>	<u>( 5,036)</u>
Net cash provided/(used) by financing activities		<u>51,163</u>	<u>34,059</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>( 4,016)</b>	<b>5,106</b>
Cash and cash equivalents at beginning of year		<u>6,989</u>	<u>1,883</u>
<b>Cash and cash equivalents at end of year</b>		<u>2,973</u>	<u>6,989</u>

## Notes to the Financial Statements

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 1. Identification

Proven Investments Limited (“the Company”) is incorporated and domiciled in Saint Lucia under the International Business Companies Act, with registered office at 20 Micoud Street, Castries, Saint Lucia. The Company is controlled by MPS Holdings Limited by virtue of the rights associated with the manager’s preference shares (see note 12). The Company’s shares are listed on the Jamaica Stock Exchange.

The primary activities of the Company are the holding of tradable securities for investment purposes and holding equity in investees.

Proven Management Limited (PML), a Jamaican limited liability company, is responsible for managing the operations of the Company including identifying analysing and negotiating potential investments and monetising the performance of these investments. Management fees are paid to PML at a rate of 2% of the average Net Asset Value of the Company, together with general consumption tax, if applicable, for services provided [see note 20 (c)].

The Company has the following subsidiaries and associated companies:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of Business</u>	<u>Percentage ownership</u>	
			<u>2022</u>	<u>2021</u>
Fidelity Bank (Cayman) Limited (see note 7)	Cayman Islands	Retail Banking Services	100	-
Fidelity Properties Limited	Cayman Islands	Real estate investment	100	-
WBR Properties Limited	Cayman Islands	Real estate investment	50.5	-
Roberts Manufacturing Company Limited (see note 7)	Barbados	Production and distribution of animal feed	60	-
Pinnacle Feeds Limited	Barbados	Production and distribution of animal feed	100	-
Heritage Education Funds International Inc (see note 7)	Canada	Scholarship Trust plans		
Boslil Bank Limited	Saint Lucia	Private Banking	75	75
Boslil International Holdings Limited	Saint Lucia	Holding company	100	100
Boslil Bond Fund Limited	Saint Lucia	Structured finance services investment management	100	100
Boslil Equity Fund Limited	Saint Lucia	Private mutual fund	100	100
Boslil Secretarial Services	Saint Lucia	Private secretarial services	100	100
Boslil Corporate Services Limited	Saint Lucia	Registered agent services	100	100
Boslil Finance Limited	Saint Lucia	Structured finance services investment management	100	100
Boslil Sudamenco S.A.	Uruguay	Market research translation and business development services	100	100
Proven Wealth Limited	Jamaica	Fund management, investment advisory services, pension fund management and money market and equity trading	100	100
International Financial Planning Jamaica Limited	Jamaica	Fund management	100	100
International Financial Planning (Cayman Limited):	Cayman Islands	Investment advisory services	100	100
IFP Cayman Ltd	Cayman	Investment advisory services	100	100
IFP BVI Limited	BVI	Investment advisory services	100	100
IFP Bermuda Limited	Bermuda	Investment advisory services	100	100
Asset Management Company Limited	Jamaica	Hire purchase financing	100	100

## PROVEN INVESTMENTS LIMITED

**Notes to the Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

1. Identification

The Company has the following subsidiaries and associated companies (continued):

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of Business</u>	<u>Percentage ownership</u>	
			<u>2022</u>	<u>2021</u>
Real Properties Limited :	Saint Lucia	Real estate investment	100	100
Real 53 NPW Limited	Saint Lucia	Real estate investment	100	100
Proven Kingsway Limited	Saint Lucia	Real estate investment	100	100
Real Millsborough Limited	Saint Lucia	Real estate investment	100	100
Real Bloomfield Limited	Saint Lucia	Real estate investment	100	100
Real PP Limited	Saint Lucia	Real estate investment	100	100
GIAU A1	Saint Lucia	Real estate investment	100	100
Real PP2 Limited	Saint Lucia	Real estate investment	100	100
Real Braemar	Saint Lucia	Real estate investment	100	100
Real Milford	Saint Lucia	Real estate investment	100	100
Real West Kings	Saint Lucia	Real estate investment	100	100
Real Gladstone Limited	Saint Lucia	Real estate investment	60	60
SKILLEX	Jamaica	Real estate investment	60	60
Grove Park Limited	Saint Lucia	Real estate investment	52	52
Omega Bay	Cayman	Real estate investment	40	40
Proven Reit Limited	Jamaica	Management services	100	100
Proven Holdings Limited	Saint Lucia	Holding company	100	100
<u>Associate companies</u>				
JMMB Group Limited	Jamaica	Investment management and banking services	20	20
Dream Entertainment Limited	Jamaica	Entertainment	-	20
Access Financial Services Limited (note 8)	Jamaica	Retail lending	24.72	24.72

2. Statement of compliance and basis of preparation(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

**New and amended standards that became effective during the year:**

Certain new and amended standards came into effect during the current financial year. The Company has assessed them and has adopted those which are relevant to its financial statements. None of these new pronouncements resulted in any significant change to the amounts recognised or disclosed in the financial statements.

**New and amended standards that are not yet effective:**

At the date of authorisation of these financial statements, certain new and amended standards have been issued which were not effective for the current year and which the Company has not early-adopted. The Company has assessed them with respect to its operations and has determined that the following are relevant:

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 2. Statement of compliance and basis of preparation (continued)

#### (a) Statement of compliance (continued)

##### **New and amended standards that are not yet effective (continued):**

- (i) Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is effective for annual reporting periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Company does not expect the amendment to have a significant impact on its 2023 financial statements.

- (ii) Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and are effective for annual reporting periods beginning on or after January 1, 2022.

- a) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
- b) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The Company does not expect the amendment to have a significant impact on its 2023 financial statements.

- (iii) Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, the standard requires that a right to defer settlement must have substance and exist at the reporting date.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 2. Statement of compliance and basis of preparation (continued)

#### (a) Statement of compliance (continued):

##### **New and amended standards that are not yet effective (continued):**

#### (iii) Amendments to IAS 1 *Presentation of Financial Statements* (continued)

It has now been clarified that a right to defer exists only if the entity complies with conditions specified in a loan agreement at the reporting date, even if the lender does not test compliance until a later date. With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a reporting entity classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Company does not expect the amendment to have a significant impact on its 2024 financial statements.

#### (b) Basis of measurement:

These financial statements are intended to show the affairs of the Company as a stand-alone business. They are not intended to, and do not show the consolidated financial position, results of operations and cash flows of the Company and its subsidiaries. The Company's interests in subsidiaries (note 7) are measured at cost less allowance for impairment. Unless otherwise indicated, reference to "financial statements" herein are to the unconsolidated financial statements.

The financial statements are prepared on the historical cost basis, except for the inclusion of investment securities at fair value through other comprehensive income or at fair value through profit or loss.

#### (c) Functional and presentation currency:

The financial statements are presented in United States dollars (USD), which is the functional currency of the Company, rounded to the nearest thousand, unless otherwise indicated.

#### (d) Estimates critical to reported amounts, and judgements made in applying accounting policies:

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions and judgements. Management also makes judgements, other than those involving estimations, in the process of applying the accounting policies. The estimates and judgements affect (1) the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended, and (2) the carrying amounts of assets and liabilities in the next financial year.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 2. Statement of compliance and basis of preparation (continued)

- (d) Estimates critical to reported amounts, and judgements made in applying accounting policies (continued):

The estimates, and the assumptions underlying them, as well as the judgements are reviewed on an ongoing 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.

Estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities in the next financial year and judgements that have a significant effect on the amounts recognised in the financial statements, include the following:

- (i) Key sources of estimation uncertainty

(1) Impairment of financial assets:

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Company in the above areas is set out in notes 3(d) and 22(b).

(2) Fair value of financial instruments

Fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices. In the absence of quoted market prices, the fair value of a significant proportion of the Company's financial assets are determined using fair value models. Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimate arrived at may be significantly different from the actual price of the instrument in arm's length transaction. (See notes 4 and 23).

(3) Impairment of investments in subsidiaries and associates

Impairment of investments in subsidiaries and associates is dependent upon management's internal assessment of future cash flows from the cash-generating units. That internal assessment determines the amount recoverable from the cash generating units and is sensitive to the discount rates used. [see notes 3 (f), (g)]

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 2. Statement of compliance and basis of preparation (continued)

(d) Estimates critical to reported amounts, and judgements made in applying accounting policies (continued):

(ii) Critical judgements in applying the Company's accounting policies

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

Management is sometimes also required to make critical judgements in applying accounting policies. These include the following judgements:

- Whether the criteria are met for classifying financial assets. For example, the determination of whether a security may be classified as at "fair value through profit or loss (FVTPL)", "fair value through other comprehensive income (FVOCI)" or "amortised cost" (note 4) or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy (note 23) requires judgement as to whether a market is active. [see note 3(a)].
- In determining whether the Company has control or significant influence over an investee and how to account for that investee, management considers the percentage of the investee's share capital that it holds and makes judgements about other relevant factors affecting control or significant influence over the relevant activities of the investee [see notes 3(f), 3(g), 7 and 8].

### 3. Significant accounting policies

(a) Financial instruments – Classification, recognition and de-recognition, and measurement

(i) Classification of financial assets

In applying IFRS 9, the Company classifies its financial assets in the following measurement categories:

- a. Fair value through profit or loss (FVTPL);
- b. Fair value through other comprehensive income (FVOCI); or
- c. Amortised cost.

The classification requirements for debt and equity instruments are described below:

#### *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on the Company's business model for managing the asset and the cash flow characteristics of the asset.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (a) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

##### (i) Classification of financial assets (continued)

The classification requirements for debt and equity instruments are described below (continued):

##### *Debt instruments (continued)*

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

*Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 22(b). Interest income from these financial assets is included in 'interest and similar income' using the effective interest method.

*Fair value through other comprehensive income (FVOCI):* Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect, on an investment-by-investment basis, to present subsequent changes in the investment's fair value in OCI.

*Fair value through profit or loss:* Assets that do not meet the criteria for amortised cost or FVOCI. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss within 'Net fair value adjustments and realised gains' in the period in which it arises. Interest income from these financial assets is included in interest income using the effective interest method.

##### *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company subsequently measures all equity investments at fair value through profit or loss, except where management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

Gains and losses on equity investments at FVTPL are included in the 'Net fair value adjustments and realised gains' caption in profit or loss.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (a) Financial instruments – Classification, recognition and de-recognition, and measurement

##### (i) Classification of financial assets (continued)

###### *Business model assessment*

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Company in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the assets' performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

*Solely payments of principal and interest (SPPI):* Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

(ii) Recognition and derecognition - non-derivative financial assets and financial liabilities

The Company recognises a financial instrument when it becomes a party to the contractual terms of the instrument.

The Company initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership but does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

(iii) Financial liabilities

The Company classifies non-derivative financial liabilities into the “other financial liabilities” category. These are measured at amortised cost.

(iv) Measurement of gains and losses on financial assets

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Gains and losses on equity instruments classified at FVOCI are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (b) Financial instruments - Other

##### (i) Non-trading derivatives

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, interest rates, foreign exchange, or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Company makes use of derivatives to manage its own exposure to foreign exchange and interest rate risk.

The Company evaluates financial instruments which it acquires or issues to determine whether derivatives are embedded in any of the contracts (making it a “host contract”). The Group accounts for an embedded derivative separately from the host contract when (i) the host contract is not itself carried at fair value through profit or loss, (ii) the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and (iii) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are accounted for depending on their classification and are presented in the statement of financial position together with the host contract. When an embedded derivative cannot be separated from the host contract, the entire contract is designated as at fair value through profit or loss.

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at fair value through profit or loss.

##### (ii) Cash and cash equivalents

Cash comprises cash in hand and call deposits. Cash equivalents are short-term, highly liquid financial assets that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. These include certificates of deposit where the maturities do not exceed three months from the date of acquisition.

Cash and cash equivalents are measured at amortised cost.

##### (iii) Resale agreements

Resale agreements are accounted for as short-term collateralised lending, and are classified as at amortised cost. On initial recognition they are measured at fair value. Subsequent to initial recognition they are measured at amortised cost. The difference between the purchase cost and the resale consideration is recognised in profit or loss as interest income using the effective interest method.

At the reporting date, the fair value of the securities held as collateral for resale agreements was \$1,715,293 (2021: \$Nil).

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (b) Financial instruments – Other (continued)

##### (iv) Other assets

Other assets are measured at amortised cost less impairment losses.

##### (v) Other liabilities

Other liabilities are measured at amortised cost.

##### (vi) Share capital

The Company 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 preference share capital, it is classified as:

- (1) equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary, in which case, dividends thereon are recognised as distributions within equity;
- (2) liability if it is redeemable on a specific date or at the option of the holders, or if dividends are not discretionary, in which case, dividends thereon are recognised as interest in profit or loss.

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

##### (vi) Loans receivable

Loans receivable are measured at amortised cost less impairment allowances, see note 3(d).

##### (vii) Accounts payable

Accounts payable are measured at amortised cost.

##### (viii) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption being recognised in profit or loss over the period of the borrowings on the effective interest basis.

##### (ix) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Company has a legal right to set off the recognised amounts and intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (b) Financial instruments – Other (continued)

##### (x) Amortised cost

Amortised cost is calculated using the effective interest method. Premiums, discounts, and initial transaction costs are included in the carrying amount of the related instruments and amortised based on the effective interest rates.

#### (c) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case, it is recognised accordingly.

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

#### (d) Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on financial instruments measured at amortised cost and debt instruments at FVOCI. No impairment loss is recognised on equity instruments which are measured at FVTPL.

#### *Framework*

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. See below for a description of how the Company determines when a significant increase in credit risk has occurred.
- A financial asset is credit impaired (‘Stage 3’) when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. See below and note 22(b) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. See note 22(b) for an explanation of how the Company has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (d) Impairment of financial assets

##### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired ('Stage 3'). Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that it would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.
- In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

##### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset for the determination of ECL.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (d) Impairment of financial assets (continued)

##### *Incorporation of forward-looking information*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

##### *Measurement of ECL*

The Company measures loss allowances at an amount equal to lifetime ECL, except for debt investment securities with low credit risk at the reporting date and certain financial assets on which credit risk has not increased significantly, which are measured as 12-month ECL.

The ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure default (EAD) for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

ECL is a probability-weighted estimate of credit losses, measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn and the cash flows that the Company expects to receive;

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (d) Impairment of financial assets (continued)

##### *Measurement of ECL (continued)*

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in profit or loss as a reclassification from OCI.

#### (e) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or group of operating assets, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

#### (f) Investment in subsidiaries

Subsidiaries are all entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the relevant activities of the investee.

Investment in subsidiaries is measured in the financial statements of the Company at cost, less impairment losses, if any.

#### (g) Investments in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the relevant financial and operating policies. Interest in associates are accounted for using the equity method. They are measured at cost, less allowance for impairment.

#### (h) Revenue recognition

Revenue comprises interest income, fees and commissions, dividend income, and gains from holding and trading securities and property sales.

#### (i) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss allowance).

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (h) Revenue recognition (continued)

##### (ii) Dividends

Dividend income is recognised when the right to receive income is established. For quoted securities, this is usually the ex-dividend date.

##### (iii) Gains or losses on holding and trading securities

Gains or losses on securities trading are recognised when the Company becomes a party to a contract to dispose of the securities, or, in the case of financial assets measured at fair value, upon re-measurement of those assets.

#### (i) Interest expense

Interest expense is recognised in profit or loss 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 amortisation of premium on instruments issued at other than par.

### 4. Investment securities

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
<b>Financial assets at fair value through profit or loss</b>		
Quoted equities	3,872	5,176
Unit Trust	500	500
Private equity funds	<u>443</u>	<u>405</u>
	<u>4,815</u>	<u>6,081</u>
<b>Financial assets at fair value through other comprehensive income</b>		
Global bonds	3,354	2,695
Corporate bonds	<u>3,479</u>	<u>4,208</u>
	<u>6,833</u>	<u>6,903</u>
<b>Amortised cost</b>		
Certificates of deposit	<u>-</u>	<u>17,446</u>
Total investment securities	<u>11,648</u>	<u>30,430</u>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 4. Investment securities (continued)

As at March 31, 2022, \$6,185,000 (2021: \$6,253,000) of investment securities is expected to be recovered after 12 months from the reporting date.

Investment securities are used as collateral for margin loan facilities provided by the Company's brokers [note 10(ii)]

### 5. Loans receivable

	<u>2022</u> \$'000	<u>2021</u> \$'000
Corporate notes	30,065	29,718
Less allowance for expected credit losses [see (b)]	( 239)	( 306)
	<u>29,826</u>	<u>29,412</u>

(a) Loans receivable, net of allowance for expected credit losses, are due from the reporting date as follows:

	<u>Within 3 months</u> \$'000	<u>3-12 months</u> \$'000	<u>1-5 years</u> \$'000	<u>Over 5 years</u> \$'000	<u>Total</u> \$'000
	2022				
Corporate notes	<u>6,517</u>	<u>11,669</u>	<u>10,738</u>	<u>902</u>	<u>29,826</u>
	2021				
Corporate notes	<u>5,887</u>	<u>2,518</u>	<u>20,106</u>	<u>901</u>	<u>29,412</u>

(i) The ageing of loans receivable is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Gross</u> \$'000	<u>Allowance for impairment</u> \$'000	<u>Gross</u> \$'000	<u>Allowance for impairment</u> \$'000
Not past due and not impaired	6,516	-	5,887	-
More than 90 days past due and impaired	<u>23,549</u>	<u>239</u>	<u>23,831</u>	<u>306</u>
	<u>30,065</u>	<u>239</u>	<u>29,718</u>	<u>306</u>

## PROVEN INVESTMENTS LIMITED

**Notes to the Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

5. Loans receivable (continued)

(a) Loans receivable, net of allowance for expected credit losses, are due from the reporting date as follows:

(ii) The movement on the expected credit losses is as follows:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Balance at the beginning of the year	306	88
Impairment allowances (reversed)/recognised	( 67)	<u>218</u>
Balance at the end of the year	<u>239</u>	<u>306</u>

6. Other assets

	<u>2022</u> \$'000	<u>2021</u> \$'000
Interest receivable	292	330
Prepayments	482	57
Other	<u>461</u>	<u>2,365</u>
	<u>1,235</u>	<u>2,752</u>

7. Investment in subsidiaries

	<u>2022</u> \$'000	<u>2021</u> \$'000
Ordinary shares, at cost:		
Fidelity Bank (Cayman) Limited [see (i) below]	32,117	-
Roberts Manufacturing Company Limited [see (ii) below]	21,453	-
Heritage Education Funds International [see (iii) below]	8,290	-
Proven Wealth Limited	16,567	16,567
Real Properties Limited	23,848	20,279
Asset Management Company Limited	412	412
Boslil Bank Limited	11,935	11,935
International Financial Planning Jamaica Limited	18,176	18,176
Proven Holdings Limited	47,756	45,665
International Financial Planning (Cayman) Limited	<u>14,213</u>	<u>14,213</u>
	<u>194,767</u>	<u>127,247</u>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 7. Investment in subsidiaries (continued)

#### (i) Fidelity Bank (Cayman) Limited

Effective February 1, 2022, the Company acquired 3,800,000 common shares, representing a 100% interest in Fidelity Bank (Cayman) Limited (FBCL) from Fidelity Bank & Trust International Limited for a consideration of \$32,116,949. FBCL is incorporated in the Cayman Islands. FBCL is licensed as a Category A Bank to carry on banking business in the Cayman Islands, subject to certain restrictions contained in the terms of the license. FBCL and its subsidiaries offer a full range of retail banking services, including internet and telephone banking, acceptance of deposits, granting of loans and the provision of foreign exchange services through each of its two (2) branches in Grand Cayman.

#### (ii) Roberts Manufacturing Company Limited

Effective June 1, 2021, the Company acquired 5,806,495 common shares, representing a 50.5% interest in Roberts Manufacturing Company Limited (RMCL) from Massy Properties (Barbados) Limited for a consideration of \$21,452,500. The principal activities of RMCL are the production and distribution of animal feed, dog food, margarine and shortening, soybean meal and soybean oil.

#### (iii) Heritage Education Funds International Inc.

Effective October 1, 2021, the Company acquired 100 common shares, representing a 100% interest in Heritage Education Funds International Inc (HEFI) from Knowledge First Foundation for a consideration of \$8,289,758. HEFI is the distributor of the Heritage International Scholarship Trust Plan- Fund D and assists the Heritage International Scholarship Trust Plan Foundation in administering the Plan. The Plan is currently distributed in the Bahamas, Bermuda, Jamaica and the British Virgin Islands.

### 8. Investment in associates

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Carrying amount of interest in associate:		
Dream Entertainment Limited [see (i) below]	-	570
Access Financial Services Limited [see (ii) below]	<u>4,968</u>	<u>5,144</u>
	<u>4,968</u>	<u>5,714</u>

#### (i) Disposal of shares in Dream Entertainment Limited

Effective July 9, 2021, the Company disposed of its 20% interest in Dream Entertainment Limited.

## PROVEN INVESTMENTS LIMITED

**Notes to the Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

8. Investment in associates (continued)

## (ii) Interest in Access Financial Services Limited

The Company's shareholdings in Access Financial Services Limited represents 24.72% of that entity. Access Financial Services Limited is listed entity on the Jamaica Stock Exchange. As at March 31, 2022, the fair value of the Company's investment was \$8,872,000 (2021: \$10,380,000).

9. Owed by/(to) related parties

	<u>2022</u> \$'000	<u>2021</u> \$'000
Owed by subsidiaries - current account	<u>2,627</u>	<u>549</u>
Owed to other related parties		
Current accounts	( 275)	( 204)
Dividend payable	<u>(2,550)</u>	<u>(1,344)</u>
	<u>(2,825)</u>	<u>(1,548)</u>

Current accounts for other related parties represent accrued management fees and amounts payable to Proven Management Limited.

10. Notes and loans payable

	<u>2022</u> \$'000	<u>2021</u> \$'000
Structured notes [see (i) below]	134,798	79,917
Margin loans payable [see (ii) below]	-	188
Short-term loan [see (iii) below]	<u>10,025</u>	<u>7,400</u>
	<u>144,823</u>	<u>87,505</u>

(i) Structured notes represent short to medium-term debt obligations issued by the Company. The notes are secured by a basket of securities and typically have fixed quarterly coupon payments, with bullet payments of principal at maturity.

(ii) Margin loans payable represent short-term debt facilities provided by brokerage firms to the Company to acquire securities on its own account. The facilities are collateralised by the securities held with the brokerage firms.

(iii) Short term loan represents credit line facility provided by a subsidiary to the Company. The facility has a fixed coupon rate of 4.75% to be paid at the maturity date, January 26, 2023.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 11. Other liabilities

	<u>2022</u> \$'000	<u>2021</u> \$'000
Interest payable	631	401
Accrued charges	383	189
Other	<u>1,388</u>	<u>937</u>
	<u>2,402</u>	<u>1,527</u>

### 12. Preference shares

	<u>2022</u> \$'000	<u>2021</u> \$'000
Liability:		
Manager's preference shares [see (a)]	<u>1</u>	<u>1</u>

(a) The terms and conditions of the manager's preference shares include the following:

- (i) the shares rank *pari passu* as between and among themselves;
- (ii) each share is entitled to a cumulative annual preference dividend equal to:
  - (1) 25% of the consolidated profits and gains of the Company in each financial year in excess of the Annual Earnings Hurdle (computed in accordance with the formula set out in the terms and conditions of issue) for such financial year, divided by
  - (2) the number of manager's preference shares in issue when the said cumulative annual preference dividend is paid; and for this purpose the Annual Earnings Hurdle shall be the amount which results when the hurdle rate is applied to the average consolidated equity of the Company during such financial year.
- (iii) Apart from the right to the cumulative annual preference dividend, the shares have no economic rights or entitlements save for the right on a winding up to the repayment of the capital paid thereon on a *pari passu* basis with the capital paid on the ordinary stock units.
- (iv) Each manager's preference share has votes attaching to it that are a multiple of the votes attaching to each ordinary stock unit on all resolutions and decisions at a general meeting, such that the preference share votes will be at least equal to the votes of the ordinary stock units, except on any resolution intended to vary the formula for computing the dividend payable to the preference shareholders, in which case, each manager's preference share is entitled to one vote.

## PROVEN INVESTMENTS LIMITED

**Notes to the Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

13. Share capital

	<u>2022</u>		<u>2021</u>
	\$'000		\$'000
Authorised:			
2,999,990,000 Ordinary shares, par value US\$0.01 each	29,999,900		29,999,900
10,000 Manager's Preference Shares, par value US\$0.01 each	100		100
300,000,000 8.25% Cumulative Redeemable Preference Shares, par value US\$0.01 each	3,000,000		3,000,000
700,000,000 cumulative redeemable Preference share, par value US\$0.01 each	<u>7,000,000</u>		<u>7,000,000</u>
	<u>40,000,000</u>		<u>40,000,000</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
	Units	Units	\$'000
Issued and fully paid:			<u>2021</u>
Ordinary shares (a)	759,432,000	759,432,000	\$'000
Manager's Preference Shares (b)	<u>10,000</u>	<u>10,000</u>	<u>1</u>
			115,754
			<u>1</u>
			115,755
Less: Preference shares classified as liability (see note 12)			(1)
			<u>(1)</u>
			<u>115,754</u>

(a) On November 5, 2020, the Board of Directors passed a resolution for the issue of shares through an additional public offer thereby approving the issue up to 134,124,037 ordinary shares for \$29,038,000. The total shares approved for issue through the additional public offer was fully subscribed.

The holders of the ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company.

(b) The rights and entitlements of the holders of the preference shares are set out in note 12.

14. Fair value reserve

This represents the cumulative net unrealised gains and losses in fair value, net of taxation, on the revaluation of FVOCI investment securities, and remains until the securities are derecognised or impaired.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

15. <u>Net interest expense</u>		
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Interest income, computed using the effective interest method:		
GOJ benchmark investment notes	156	245
Regional and corporate bonds	301	784
Global bonds	229	273
Corporate note	1,774	1,055
Other	<u>81</u>	<u>277</u>
	<u>2,541</u>	<u>2,634</u>
Interest expense, computed using the effective interest method:		
Interest on margin loans	2	3
Notes payable	2,880	2,592
Other	<u>1,018</u>	<u>422</u>
	<u>3,900</u>	<u>3,017</u>
Net interest expense	<u>(1,359)</u>	<u>(383)</u>
16. <u>Net fair value adjustments and realised gains</u>		
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Unrealised fair value gains on equity securities	<u>97</u>	<u>984</u>
17. <u>Staff costs</u>		
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Directors' fees	<u>115</u>	<u>125</u>
18. <u>Other operating expenses</u>		
	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Audit fees	167	131
Irrecoverable GCT	149	146
Legal and other professional fees	2,835	534
Marketing and advertising	194	190
Miscellaneous	12	5
Management fees (note 20)	3,304	2,462
Irrecoverable income tax withheld	35	53
Commission expenses and fees	468	733
Printing and stationery	25	-
Travelling	69	3
Other operating expenses	<u>196</u>	<u>163</u>
	<u>7,454</u>	<u>4,420</u>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 19. Taxation

- (a) Income tax is computed at nil (2021: 1%) of profit for the year as adjusted for tax purposes, and is made up as follows:

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Current tax charge:		
Tax charge on current period's profit	<u>-</u>	<u>254</u>

- (b) Reconciliation of actual tax expense:

The tax rate for the Company is nil (2021:1%) of profits. The actual charge for the year is as follows:

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
(Loss)/ profit before taxation	<u>(5,722)</u>	<u>4,684</u>
Computed "expected" tax expense	-	47
Adjustment	-	( 47)
Prior year over accrual	<u>-</u>	<u>( 254)</u>
	<u>-</u>	<u>( 254)</u>

### 20. Related party transactions

- (a) Definition of related party

A related party is a person or entity that is related to the Company.

- (i) A person or a close member of that person's family is related to the Company if that person:
- (1) has control or joint control over the Company;
  - (2) has significant influence over the Company; or
  - (3) is a member of the key management personnel of the Company or of a parent of the Company.
- (ii) An entity is related to the Company if any of the following conditions applies:
- (1) The entity and the Company are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).
  - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (3) Both entities are joint ventures of the same third party.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 20. Related party transactions (continued)

#### (a) Definition of related party (continued)

(ii) An entity is related to the Company if any of the following conditions applies (continued):

- (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (6) The entity is controlled, or jointly controlled by a person identified in (i).
- (7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (8) The entity, or any member of a group of companies of which it is a part, provides key management personnel services to the Company or the parent of the Company.

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

#### (b) Identity of related parties

The Company has related party relationships with its subsidiaries and associates and with its directors and executive officers and those of its subsidiaries and associates.

(c) The Company has engaged a related party, Proven Management Limited, to provide investment management services in relation to financial instruments held in a number of funds, and the business and operations of the Company, for a fee. The fee is charged at 2% of the Consolidated Average Net Asset Value in the financial year [see note 20(f)].

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Investment management fees paid for the year	3,029	2,259
Fees accrued at end of year	<u>275</u>	<u>203</u>
	<u>3,304</u>	<u>2,462</u>

(d) Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the relevant activities of the Company, directly or indirectly. Such persons comprise the directors and executive officers.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 20. Related party transactions (continued)

- (e) The statement of financial position includes balances, arising in the ordinary course of business, with its directors and key management, as follows:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Loans receivable	<u>-</u>	<u>1,094</u>

Other amounts with related parties are disclosed in note 9.

- (f) The statement of profit or loss and other comprehensive income includes the following income earned from, and expenses incurred in, transactions with related parties:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Proven Wealth Limited Interest income	<u>-</u>	<u>1</u>
MPS Holdings Limited Dividends paid	<u>2,556</u>	<u>2,743</u>
Proven Management Limited Management fees	<u>3,304</u>	<u>2,462</u>

### 21. Distribution to equity holders

	<u>2022</u> \$'000	<u>2021</u> \$'000
Distribution to ordinary Stockholder per stock unit at 0.81¢ (2021: 0.66¢)	<u>6,155</u>	<u>5,036</u>

### 22. Financial instruments - risk management

- (a) Introduction and overview:

By their nature, the Company's activities are principally related to the use of financial instruments. The Company's activities therefore expose it to a variety of financial risks: credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and price risk. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products, and emerging best practice.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (a) Introduction and overview (continued):

The Board of Directors is ultimately responsible for the establishment and oversight of the Company's risk management framework. The Board has established committees for managing and monitoring risks, as follows:

- (i) Investment Management Committee
- (ii) Audit Committee

The Investment Management Committee oversees management's compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company accepts investments from customers at both fixed and floating rates and for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets.

The Company seeks to increase these margins by consolidating short-term funds and investing for longer periods at higher rates while maintaining sufficient liquidity to meet encashments as they fall due.

The Company also trades in financial instruments where it takes positions to take advantage of short-term market movements in bond prices and in foreign exchange and interest rates. To manage the associated risks, trading limits are placed on the level of exposure that can be taken.

#### Impact of Covid 19

In response to the Covid 19 pandemic, Management has adopted several measures specifically around financial risk management. These measures include:

- i) The Investment Management Committee and the Asset and Liability Committee meet bi-weekly to discuss strategies and plans around managing the liquidity and the capital needs of the Company's.
- ii) Implementation of a Liquidity Recovery Plan for securities dealers, which was recommended by the regulators. The key aspects of the plan include:
  - Assessing the daily inflow and outflow of funds (liquidity forecasting);
  - Identifying and assessing the adequacy of financial resources for contingent needs;
  - Implementing measures geared at strengthening the Company's capital base; and
  - A clear description of the escalation and decision-making process to ensure that the plan can be executed timely.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (b) Credit risk:

##### **Management of credit risk attaching to key financial assets**

Investment securities and loans receivable

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratios and the default correlations between counterparties.

##### **Management of credit risk attaching to key financial assets (continued)**

Investment securities and loans receivable (continued)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratios and the default correlations between counterparties.

The Company uses ECL models developed by independent service providers to determine the ECL allowances for its investments and loans receivable. The models measure credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The Company uses a provision matrix in applying the simplified model for trade receivables.

The maximum credit exposure, the total amount of loss the Company would suffer if every counterparty to the Company's financial assets were to default at once, is represented by the carrying amount of financial assets exposed to credit risk.

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt instruments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

- Debt securities and other financial assets at amortised cost:

	<u>2022</u>	<u>2021</u>
	Stage 1	Stage 1
	\$'000	\$'000
<b>Credit grade</b>		
Cash and cash equivalents and resale agreements	5,099	6,989
Investment grade	-	17,446
Other assets	<u>1,235</u>	<u>2,752</u>
	<u>6,334</u>	<u>27,187</u>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

#### Management of credit risk attaching to key financial assets (continued)

Investment securities and loans receivable (continued)

- Debt securities at FVOCI:

	<u>2022</u>	<u>2021</u>
	<u>Stage 1</u>	<u>Stage 1</u>
	\$'000	\$'000
<b>Credit grade</b>		
Investment grade	-	1,025
Non-investment	<u>6,834</u>	<u>5,878</u>
	<u>6,834</u>	<u>6,903</u>
Expected credit losses	<u>( 31)</u>	<u>( 39)</u>

- Loans receivable at amortised cost:

	<u>2022</u>		
	<u>Stage 1</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000
<b>Ageing of loans receivable</b>			
Current	6,517	-	6,517
Over 90 days	<u>22,827</u>	<u>722</u>	<u>23,549</u>
	29,344	722	30,066
Loss allowance	<u>( 151)</u>	<u>( 88)</u>	<u>( 239)</u>
Total	<u>29,193</u>	<u>634</u>	<u>29,827</u>
	<u>2021</u>		
	<u>Stage 1</u>	<u>Stage 3</u>	<u>Total</u>
	\$'000	\$'000	\$'000
<b>Ageing of loans receivable</b>			
Current	5,887	-	5,887
Over 90 days	<u>23,743</u>	<u>88</u>	<u>23,831</u>
	29,630	88	29,718
Loss allowance	<u>( 218)</u>	<u>( 88)</u>	<u>( 306)</u>
Total	<u>29,412</u>	<u>-</u>	<u>29,412</u>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

##### **Management of credit risk attaching to key financial assets (continued)**

Investment securities and loans receivable (continued)

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

##### *Credit risk grades*

The Company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties and internal rating models tailored to the various categories of counterparty.

Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for personal exposures; and turnover and industry type for commercial exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models incorporate expert judgement from the Credit Risk Officers in determining the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the standard data inputs into the model.

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are monitored and regularly updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

##### *Determining whether credit risk has been increased significantly (Stage 2)*

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in Probabilities of Default (PD). Credit risk is deemed to increase significantly where the probability of default on a security or a loan has moved by six (6) basis points.
- qualitative indicators; and
- a backstop of 30 days past due, determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

##### **Management of credit risk attaching to key financial assets (continued)**

Investment securities and loans receivable (continued)

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below (continued):

##### *Determining whether credit risk has been increased significantly (Stage 2) (continued)*

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Company determines a probation period during which the financial asset is required to demonstrate evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, the Company monitors the instruments for up-to-date payment performance against the modified contractual terms as evidence that the criteria for recognising lifetime ECL are no longer met.

##### *Incorporation of forward-looking information*

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

Expert judgment has also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are provided by the Company’s Finance team and provide the best and worst estimate view of the economy.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and comparing historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD.

In addition to the base economic scenario, the Company considers other possible scenarios and scenario weightings. The Company concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

##### **Management of credit risk attaching to key financial assets (continued)**

Investment securities and loans receivable (continued)

##### *Incorporation of forward-looking information (continued)*

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Company considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Company's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

##### *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of the following:

Lifetime PD models calculate probabilities of default at a minimum of an annual frequency for 20 years. Beyond 20 years, due to lack of available data and the challenge of predicting PDs this far into the future, the model assumes that the 20 year annual marginal PD holds constant from the 20 year mark until maturity.

LGD is the magnitude of the likely loss if there is a default. The recovery rate model provides transparent, timely (point-in-time), quantitative estimates of recovery rates of issues within different liability classes of a given counterparty.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

#### **Management of credit risk attaching to key financial assets (continued)**

Investment securities and loans receivable (continued)

#### *Measurement of ECL (continued)*

The bond recovery rate model is based on historically realised recovery rates of defaulted bonds. Realised recovery rates are defined as the trading price of defaulted bonds approximately 30 days after default. Effectively, the model is a non-linear factor based model. Historical recovery rate data was compared to a variety of factors in order to determine correlations between these factors and the amount recovered (as defined above). These correlations were then used to determine the coefficients in a non-linear factor model which is used for projecting recovery rates and losses prospectively. The output from this model can be used either on a stand-alone basis to estimate recovery by specific liability class upon default, or as inputs to a more comprehensive portfolio credit risk management system.

EAD represents the expected exposure in the event of a default. The Company uses an established third party service provider to determine client-specific exposure at default (“EAD”) amounts on a position-by position or lot-by-lot basis. In preparing the full lifetime ECL calculation, the EAD is calculated at annual intervals from the reporting date out to maturity. The reporting date, transaction date and transaction price are used to calculate the accounting exposure at default. If not provided, an accounting effective interest rate is calculated using the transaction date and price (see section below) and is applied to the future cash flows of the particular instrument to discount these cash flows. This is done on an annual basis from reporting date out to maturity.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

- Debt securities and loans receivable at amortised cost:

	<u>2022</u>	<u>2021</u>
	Stage 3	Stage 3
	\$'000	\$'000
Balance at April 1	306	88
Net re-measurement of loss allowance	( 67)	218
Balance at March 31	<u>239</u>	<u>306</u>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (b) Credit risk (continued):

#### Management of credit risk attaching to key financial assets (continued)

#### Measurement of ECL (continued)

#### Loss allowance (continued)

- Debt securities at FVOCI:

	<u>2022</u>	<u>2021</u>
	<u>Stage 1</u>	<u>Stage 1</u>
	\$'000	\$'000
Balance at beginning of year	39	116
Net re-measurement of loss allowance	( 8)	( 77)
Balance at March 31	<u>31</u>	<u>39</u>

#### (i) Maximum exposure to credit risk:

The maximum credit exposure, the total amount of loss the Company would suffer if every counterparty to the Company's financial assets were to default at once, is represented by the carrying amount of financial assets exposed to credit risk.

The Company manages its credit risk exposure as follows:

- Cash and cash equivalents

These are held with reputable, regulated financial institutions. Collateral is not required for such accounts, as management regards the institutions as strong.

- Investment securities

The Company manages the level of risk it undertakes by investing substantially in sovereign debts and counterparties with acceptable credit ratings.

- Accounts receivable

Exposure to credit risk is managed by regular analysis of the ability of the customers and other counterparties to meet repayment obligations and regular follow-ups.

- Loans receivable

The Company's policy requires that proposed significant loans are approved by the Investment Committee prior to disbursement, with the Committee thereafter monitoring the performance of the credit.

#### (ii) Concentration of credit risk:

There is no significant concentration of credit risk.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (c) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. Prudent liquidity risk management procedures which the Company applies include maintaining sufficient cash and marketable securities and monitoring future cash flows and liquidity on a daily basis.

Due to the impact of the COVID-19 pandemic, which has resulted in customers requiring funds at a higher rate, the Company has implemented a Liquidity Risk Response Strategy (including stress testing scenarios) within the Company with portfolios that possess the largest liquidity risk implications.

#### (i) Liquidity risk management:

The Company's liquidity management process, as monitored by the Investment Management Committee, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can readily be liquidated as protection against any unforeseen interruption to cash flows;
- (iii) Optimising cash returns on investment;
- (iv) Monitoring liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and
- (v) Managing the concentration and profile of debt maturities. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

## PROVEN INVESTMENTS LIMITED

**Notes to the Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

22. Financial instruments - risk management (continued)

## (c) Liquidity risk (continued):

## (i) Liquidity risk management (continued):

The table below presents the undiscounted cash flows of the Company's financial liabilities (both interest and principal cash flows) based on contractual repayment obligations. The tables also reflect the expected maturities of the Company's liabilities at the reporting date.

	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	No specific maturity date \$'000	Total contractual outflow \$'000	Carrying amount \$'000
2022								
Liabilities								
Owed to related parties	-	-	-	-	-	2,825	2,825	2,825
Notes payable	62	378	11,814	138,206	12,761	-	163,220	144,823
Preference shares	-	-	-	-	-	1	1	1
Other liabilities	-	-	-	-	-	2,402	2,402	2,402
Total financial liabilities	<u>62</u>	<u>378</u>	<u>11,814</u>	<u>138,206</u>	<u>12,761</u>	<u>5,228</u>	<u>168,448</u>	<u>150,051</u>
2021								
Liabilities								
Owed to related parties	-	-	-	-	-	1,548	1,548	1,548
Notes payable	11,248	537	20,930	64,293	-	-	97,008	87,505
Preference shares	-	-	-	-	-	1	1	1
Other liabilities	-	-	-	-	-	1,527	1,527	1,527
Total financial liabilities	<u>11,248</u>	<u>537</u>	<u>20,930</u>	<u>64,293</u>	<u>-</u>	<u>3,076</u>	<u>100,084</u>	<u>90,581</u>

## (d) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market.

These arise mainly from changes in interest rate, foreign currency rates and equity prices and will affect the Company's income or the value of its holdings of financial instruments.

Market risk is monitored by the Investment Management Committee which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (d) Market risk (continued):

##### (i) Foreign currency risk:

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Group is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the functional currency. The main currencies giving rise to this risk is the Jamaica dollar (JMD). The Company manages this risk by matching foreign currency assets with foreign currency liabilities, to the extent practicable. The net foreign currency exposure is kept to the targeted levels by buying or selling currencies at spot rates when necessary to address imbalances.

At the reporting date, exposure to foreign currency risk was as follows:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Assets		
Cash and cash equivalents	221,921	87,421
Loans receivable	1,022,065	1,184,618
Resale agreement	326,316	-
Investment securities	559,358	433,237
Due from related party	-	41,060
Other	<u>10,238</u>	<u>12,506</u>
	<u>2,139,898</u>	<u>1,758,842</u>
Liabilities		
Owed to related parties	332,748	-
Notes payable	2,237,658	1,753,810
Other	<u>27,713</u>	<u>26,590</u>
	<u>2,598,119</u>	<u>1,780,400</u>
Net position	<u>( 458,221)</u>	<u>( 21,558)</u>

The Company's transactions that are in Barbados dollars has no foreign currency exposure since there are fixed exchange rates between the Barbados dollar and United States dollar.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (d) Market risk (continued):

##### (i) Foreign currency risk (continued):

##### *Sensitivity to exchange rate movements:*

The following indicates the sensitivity to changes in foreign currency exchange rates of the Company's profit and shareholders' equity. The analysis is computed by applying a reasonably possible change in exchange rates to foreign currency denominated monetary assets and liabilities as assessed by management at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and was done on the same basis as 2021.

		2022	
	% change in currency rate	Effect on <u>profit</u> \$'000	Effect on comprehensive <u>income</u> \$'000
Currency:			
JMD	2% Revaluation	<u>61</u>	<u>-</u>
		2021	
	% change in currency rate	Effect on <u>profit</u> \$'000	Effect on comprehensive <u>income</u> \$'000
Currency:			
JMD	2% Revaluation	<u>4</u>	<u>-</u>
		2022	
	% change in currency rate	Effect on <u>profit</u> \$'000	Effect on comprehensive <u>income</u> \$'000
Currency:			
JMD	8% Devaluation	<u>221</u>	<u>-</u>
		2021	
	% change in currency rate	Effect on <u>profit</u> \$'000	Effect on comprehensive <u>income</u> \$'000
Currency:			
JMD	6% Devaluation	<u>11</u>	<u>-</u>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (d) Market risk (continued):

##### (ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company manages this risk by monitoring interest rates daily. Even though there are no formally predetermined gap limits, where possible and to the extent judged appropriate, the maturity profile of its financial assets is matched with that of its financial liabilities; and where gaps are deliberately arranged, management expects that its monitoring will, on a timely basis, identify the need to take appropriate action to close a gap if it becomes necessary.

Floating rate instruments expose the Company to cash flow interest rate risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

The Group's interest rate risk management policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-earning financial assets and interest-bearing financial liabilities. The Investment Management Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by management and reported monthly to the Committee.

The table below summarises exposure to interest rate risk. Included in the tables are the carrying amounts of financial assets and financial liabilities, categorised by the earlier of contractual repricing and maturity dates.

	2022						Total \$'000
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non- interest sensitive \$'000	
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	2,973	2,973
Resale agreement	2,126	-	-	-	-	-	2,126
Investment securities	-	-	650	449	5,736	4,813	11,648
Loans receivable	6,517	-	11,669	10,738	902	-	29,826
Other assets	-	-	-	-	-	1,235	1,235
Owed by subsidiaries	-	-	-	-	-	2,627	2,627
<b>Total assets</b>	<b>8,643</b>	<b>-</b>	<b>12,319</b>	<b>11,187</b>	<b>6,638</b>	<b>11,648</b>	<b>50,435</b>
<b>Liabilities</b>							
Owed to related parties	-	-	-	-	-	2,825	2,825
Notes payable	-	-	10,025	128,362	6,436	-	144,823
Other liabilities	-	-	-	-	-	2,402	2,402
Preference shares	-	-	-	-	-	1	1
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>10,025</b>	<b>128,362</b>	<b>6,436</b>	<b>5,228</b>	<b>150,051</b>
Interest rate sensitivity gap	8,643	-	2,294	(117,175)	202	6,420	(99,616)
Cumulative interest rate sensitivity gap	8,643	8,643	10,937	(106,238)	(106,036)	(99,616)	-

## PROVEN INVESTMENTS LIMITED

**Notes to the Financial Statements (continued)**

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

22. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	2021						Total \$'000
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non- interest sensitive \$'000	
<b>Assets</b>							
Cash and cash equivalents	-	-	-	-	-	6,989	6,989
Investment securities	17,446	-	650	1,020	5,233	6,081	30,430
Loans receivable	5,887	-	2,518	20,106	901	-	29,412
Other assets	-	-	-	-	-	2,752	2,752
Owed by subsidiaries	-	-	-	-	-	549	549
<b>Total assets</b>	<b>23,333</b>	<b>-</b>	<b>3,168</b>	<b>21,126</b>	<b>6,134</b>	<b>16,371</b>	<b>70,132</b>
<b>Liabilities</b>							
Owed to related parties	-	-	-	-	-	1,548	1,548
Notes payable	11,183	-	19,996	56,138	-	188	87,505
Other liabilities	-	-	-	-	-	1,527	1,527
Preference shares	-	-	-	-	-	1	1
<b>Total liabilities</b>	<b>11,183</b>	<b>-</b>	<b>19,996</b>	<b>56,138</b>	<b>-</b>	<b>3,264</b>	<b>90,581</b>
Interest rate sensitivity gap	12,150	-	(16,828)	(35,012)	6,134	13,107	(20,449)
Cumulative interest rate sensitivity gap	12,150	12,150	(4,678)	(39,690)	(33,556)	(20,449)	-

The table below summarises the effective interest rate by major currencies for financial instruments at the reporting date.

	2022		2021	
	JMD %	USD %	JMD %	USD %
<b>Assets</b>				
Investment securities	3.50	11.00	0.40	6.83
Loans receivable	12.00	9.00	7.33	4.58
<b>Liabilities</b>				
Notes payable	4.25	4.71	4.04	3.20

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 22. Financial instruments - risk management (continued)

#### (d) Market risk (continued):

##### (iii) Price risk:

##### *Sensitivity to equity price movements*

Equity price risk arises from equity securities held by the Company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Company's investment strategy is to maximize risk-adjusted investment returns.

The Company's exposure to price risk is represented by the total carrying value of equity investments on the statement of financial position of \$4,063,000 (2021: \$5,026,000).

A 5% (2021: 5%) change in stock prices at March 31, 2022 would have impacted profit by \$193,600 (2021: \$258,800).

#### (e) Capital management:

The Company's objectives when managing capital are as follows:

- (i) To comply with the capital requirements set by the Financial Services Regulatory Authority ('the Authority) in St. Lucia.
- (ii) To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on the guidelines developed by the Authority. The required information is filed with the Authority on a quarterly basis.

The Company complied with the capital requirements set by the regulators. There were no changes in how the Company measures and manages capital during the year.

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 23. Financial instruments – fair values

#### (a) Definition and measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where a quoted market price is available for an asset or liability, fair value is computed using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques, making use of observable data as far as possible.

Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable. The different levels in the hierarchy have been defined as follows:

Level 1 refers to financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 refers to financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3 refers to financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are based on available market data.

#### (b) Valuation techniques for investment securities classified as Level 2

Type	Valuation techniques
Government of Jamaica securities:	
US\$ denominated Securities	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised independent source, namely, Bloomberg.</li> <li>• Apply price to estimate fair value.</li> </ul>
J\$ Denominated Securities	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised industry source (which uses Jamaica-market source indicative bids).</li> <li>• Apply price to estimate fair value.</li> </ul>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 23. Financial instruments – fair values (continued)

#### (b) Valuation techniques for investment securities classified as Level 2 (continued)

Type	Valuation techniques
Government of Jamaica securities (continued):	
J\$ Denominated Securities	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised industry source (which uses Jamaica-market source indicative bids).</li> </ul>
Global bonds	<ul style="list-style-type: none"> <li>• Apply price to estimate fair value.</li> <li>• Obtain bid price provided by recognised independent pricing source, namely, Bloomberg.</li> <li>• Apply price to estimate fair value.</li> </ul>
Unit Trust	<ul style="list-style-type: none"> <li>• Obtain prices quoted by unit trust managers.</li> <li>• Apply price to estimate fair value.</li> </ul>
Corporate bonds	<ul style="list-style-type: none"> <li>• Obtained bid price provided by recognised independent pricing source, namely, Bloomberg.</li> <li>• Apply price to estimate fair value.</li> </ul>

## Notes to the Financial Statements (continued)

Year ended March 31, 2022 (Presented in United States dollars, except as otherwise stated)

### 23. Financial instruments – fair values (continued)

#### (c) Accounting classifications and fair values:

The following table shows the classification of financial assets and financial liabilities and their carrying amounts.

Where the carrying amounts of financial assets and financial liabilities are measured at fair value, their levels in the fair value hierarchy are also shown. The Company does not disclose the fair value of cash and cash equivalents, loans receivable, other assets, owed by subsidiaries, owed to related parties, notes payable, other liabilities and preference shares because the carrying amounts of these financial instruments are a reasonable approximation of fair values and are all considered to be within level 2 and 3 of the fair value hierarchy.

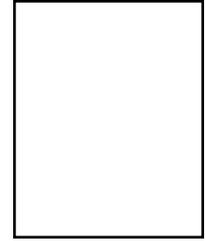
#### (d) Accounting classifications and fair values (continued):

	2022						
	Carrying amount				Fair value		
	Amortised Cost	FVOCI	Fair value through profit		Level 1	Level 2	Total
			or loss	Total			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>							
<b>measured at fair value</b>							
Global bonds	-	3,354	-	3,354	-	3,354	3,354
Corporate bonds	-	3,479	-	3,479	-	3,479	3,479
Quoted equities	-	-	3,872	3,872	3,872	-	3,872
Private equity funds	-	-	443	443	-	443	443
Unit trust	-	-	500	500	-	500	500
	<u>-</u>	<u>6,833</u>	<u>4,815</u>	<u>11,648</u>	<u>3,872</u>	<u>7,776</u>	<u>11,648</u>

	2021						
	Carrying amount				Fair value		
	Amortised Cost	FVOCI	Fair value through profit		Level 1	Level 2	Total
			or loss	Total			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>							
<b>measured at fair value</b>							
Global bonds	-	2,695	-	2,695	-	2,695	2,695
Corporate bonds	-	4,208	-	4,208	-	4,208	4,208
Certificate of deposits	17,446	-	-	17,446	-	17,446	17,446
Quoted equities	-	-	5,176	5,176	5,176	-	5,176
Private equity funds	-	-	405	405	-	405	405
Unit trust	-	-	500	500	-	500	500
	<u>17,446</u>	<u>6,903</u>	<u>6,081</u>	<u>30,430</u>	<u>5,176</u>	<u>25,254</u>	<u>30,430</u>



# Form of Proxy



## PROVEN GROUP LIMITED

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member of the above Company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting to be held at Cnr. Flamboyant Drive & Almond Road, Rodney Bay, Gros Islet, St. Lucia on September 22, 2022 and at any adjournment thereof.

Please indicate by inserting a cross in the appropriate box how you wish your votes to be cast.

Unless otherwise instructed, the Proxy will vote as he/she thinks fit.

RESOLUTION	FOR	AGAINST
NO. 1		
NO. 2		
NO. 3		
NO. 4		

IN WITNESS WHEREOF I set my hand this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
Signature

The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. A corporation may execute a form of proxy under the hand of a duly authorised officer of such corporation.

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