

# PROVEN

**ANNUAL  
REPORT**  
2018

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CORE VALUES

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INTEGRITY

{ RESPECT }

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**TEAMWORK**

// PERFORMANCE //

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**VISION  
STATEMENT**

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

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# REPORT

OF THE  
DIRECTORS

The directors of Proven Investments Limited ('the Company') are pleased to present their Annual Report with the Consolidated Audited Financial Statements for the year ended March 31, 2018.

## Financial Highlights:

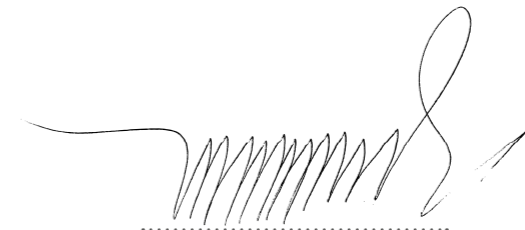
|  | March 2018<br>US\$ '000 | March 2017<br>US\$ '000 |
|--|-------------------------|-------------------------|
| Operating revenue net of interest expense  | 32,483                  | 23,816                  |
| Profit after income tax and extraordinary items  | 11,661                  | 7,633                   |
| Profit attributable to equity holders of the parent after income tax and extraordinary items | 5,682                   | 4,064                   |
| Shareholders equity  | 85,095                  | 71,536                  |

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.

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.

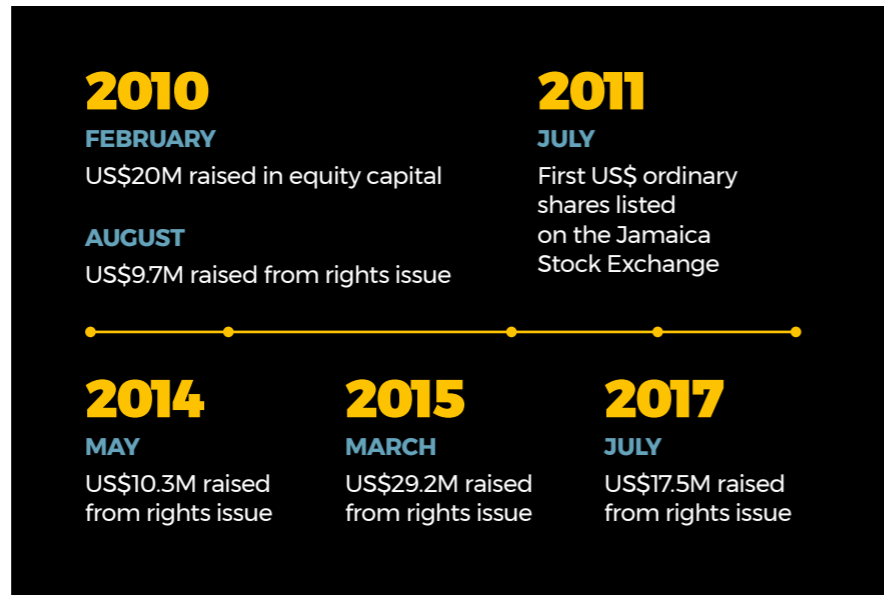
The directors wish to thank management and all team members across the subsidiaries for their performance during the year under review. We express our deep sincere appreciation to the stockholders for their continued support and partnership.

By order of the Board  
Dated this July 12, 2018



**Rhory McNamara**  
Company Secretary

**PROVEN's strength has grown steadily since its inception in 2010. Below is a representation of the Company's success in raising equity capital totalling over US\$69M.**



This was achieved through one of the largest private or public US Dollar equity offerings in the history of Jamaica's capital market in 2010, as well as the first US Dollar ordinary share listing on the JSE in 2011. Monies raised in 2014 and 2015 further reinforced the capital base of the company pending subsequent acquisitions and execution of business strategies.

While the Company is mainly focused on securities investment, it also pursues private equity opportunities as they arise, if they are consistent with its comprehensive business strategies and goals. Current private equity holdings continue to enhance the business' viability.

## PROVEN WEALTH

Proven Wealth's team has demonstrated that it is a force to be reckoned with, by successfully managing billions of dollars of investments and delivering consistent returns and expert advice over the last twenty years in the financial services sector. Their proficiencies span asset management, corporate finance, financial advisory services, merchant banking, stock brokerage, pension fund management and unit trust management. Proven Wealth Limited (PWL) is a licensed securities dealer with the Financial Services Commission (FSC), the regulatory body that oversees the securities industry in Jamaica under the Securities Act.

## PROVEN FUND MANAGERS

PROVEN Fund Managers Limited (PFML) expanded PROVEN's wealth management services to include Pension Fund Management. PROVEN Fund Managers maintains a prominent role in the Asset and Pension Fund Management and Administration business and is also a licensed securities dealer with the Financial Services Commission (FSC). This was originally made possible through the Company's purchase of 100% shareholdings in the former FGFS in June 2014. In 2016/2017, PROVEN launched its Approved Retirement Scheme - "PROVEN Rock" - and has been steadily increasing its contributing members.

## PROVEN REAL ESTATE INVESTMENT TRUST

Real Properties Limited was formed as the channel through which both residential and commercial real estate related investments are managed for PROVEN. With the successful completion and sale of the residential development on Kingsway Avenue in Kingston, Jamaica, the company has completed its second residential development in Jamaica on Sullivan Avenue, Kingston 8. The company has grown significantly in this financial year, with two leasehold properties added to its portfolio as well as two development projects scheduled to break ground in the new financial year.

## ACCESS FINANCIAL SERVICES LTD.

Access Financial Services Limited (AFS) operates across 25 locations, is listed on the Junior Market of the JSE, and since 2000, continues to offer an extensive range of personal and business loan products. PROVEN is the largest shareholder in AFS, holding 49.72% of the shareholding of the company. This bold move secured PROVEN's position in the microfinance industry given that AFS is one of the largest microcredit ventures on the island.

## Boslil Bank

Recognised as a leading institution in the banking sector with a consistent track record and team members. PROVEN currently owns 75 % of the common equity of the Bank of St. Lucia International Limited (BOSLIL). The acquisition, which was attained in March 2017, will influence future growth and value creation for PROVEN Investments Limited.

PROVEN's capital investments are for the ultimate benefit of its shareholders, who will share in the returns of the Company. Shareholders are provided with the following notable benefits:

- Above average US\$ fixed income returns
- International and regional diversification
- Tax-efficient investment structure
- Excellent currency hedge
- Strong risk management
- Robust corporate governance structure

The assets and operations of PROVEN are managed by Proven Management Limited (PML), also engaged as the Investment Manager. The Investment Manager has specific investment decision-making responsibilities in accordance with the Investment Policy.

Incorporated in Jamaica, PML's purpose is to manage the investments and operations of PROVEN Investments Limited.

PML is licensed and regulated by the FSC as a securities dealer. The Investment Management Agreement between PROVEN and PML provides for the following compensation for PML as the Investment Manager:

### Management Fee

- A management fee of 2% per annum of the average Net Asset Value of PROVEN will be payable monthly for managing PROVEN's assets and operations;
- The 10,000 Manager's Preference Shares, which collectively hold 50% of the voting rights in PROVEN on matters other than the Investment Manager's fees (on which each Manager's Preference Share carries one vote) are held by MPS Holding Limited (MPS). MPS Holding Limited is an investment holding company incorporated in St. Lucia as an IBC.

The agreement between PROVEN and MPS provides for the following as holders of the Managers' Preference Shares:

### Performance-Based Dividend

The Managers' Preference Shares carries the right to a dividend equal to 25% of PROVEN's profit in excess of the determined hurdle rate payable quarterly.

The PML and MPS collaboration forms one of the most experienced teams in the Caribbean's financial sector, which in aggregate has successfully managed billions of dollars of investments, delivering consistent returns and expert financial advice over the past two decades.

PML and MPS together, bring one of the most experienced teams in the Caribbean's financial sector.

**The team includes:**

**Garfield Sinclair Director**

- Caribbean President, Cable and Wireless Communications - one of the region's largest telecommunications giants;
- Former President & Chief Operating Officer, Dehring, Bunting & Golding Limited (DB&G);
- California Board of Accountancy - C.P.A licence (non-practising) Uniform Certified Public Accounting examination;
- Holds a Bachelor of Science degree in Business Administration (Accounting) from the San Diego State University.

**Peter Bunting Director**

- Co-founder, CEO and Chairman, Dehring, Bunting & Golding Limited (DB&G);
- Guided by three driving principles - Integrity, Respect, and Results;
- Demonstrated commitment to excellence in building one of Jamaica's most innovative and successful financial institutions;
- Holds a B.Eng (Mech.) from McGill University (Canada) and an MBA from the University of Florida.

**Mark Golding Director**

- Corporate Attorney-At-Law specializing in banking and corporate finance, mergers and acquisitions, and capital market transactions;
- Founding shareholder and director of Dehring, Bunting & Golding Limited (DB&G);
- Acted as an Advisor and Legal Counsel to several major commercial, merchant banks and investment houses.
- Graduate of Oxford University and the Norman Manley Law School;
- Holds a Master's Degree (LL.M) in Commercial Law from the University of London.

**Christopher Bicknell Chairman**

- Chairman, Group C.E.O. and Finance Manager of Tank-Weld Group of Companies;
- He serves as Director of Food for the Poor and Arnett Gardens Football Club;
- Certified Public Accountant (CPA);
- Holds a Bachelor of Commerce degree from University of Toronto.

**Christopher Williams President**

- Chairman of the Jamaica Association for the Deaf, PROVEN REIT and Jamaica College Foundation
- He serves as Director of Access Financial Services Ltd., JAMPRO, Boslil Bank Ltd., Jamaica College Trust, Usain Bolt Foundation, PROVEN Wealth Ltd., and PROVEN Fund Managers Ltd.;
- Holds an M.B.A. in Strategic Marketing and Finance from York University.

**Johann Heaven Senior Vice President - Investments**

- A Chartered Financial Analyst (CFA) charter holder, and holds the Financial Risk Manager (FRM) certification;
- He serves as Director of PROVEN Wealth Ltd., and PROVEN Fund Managers Ltd.;
- Holds a Master's Degree in Finance from the University of London.

**Sherri Murray Company Secretary**

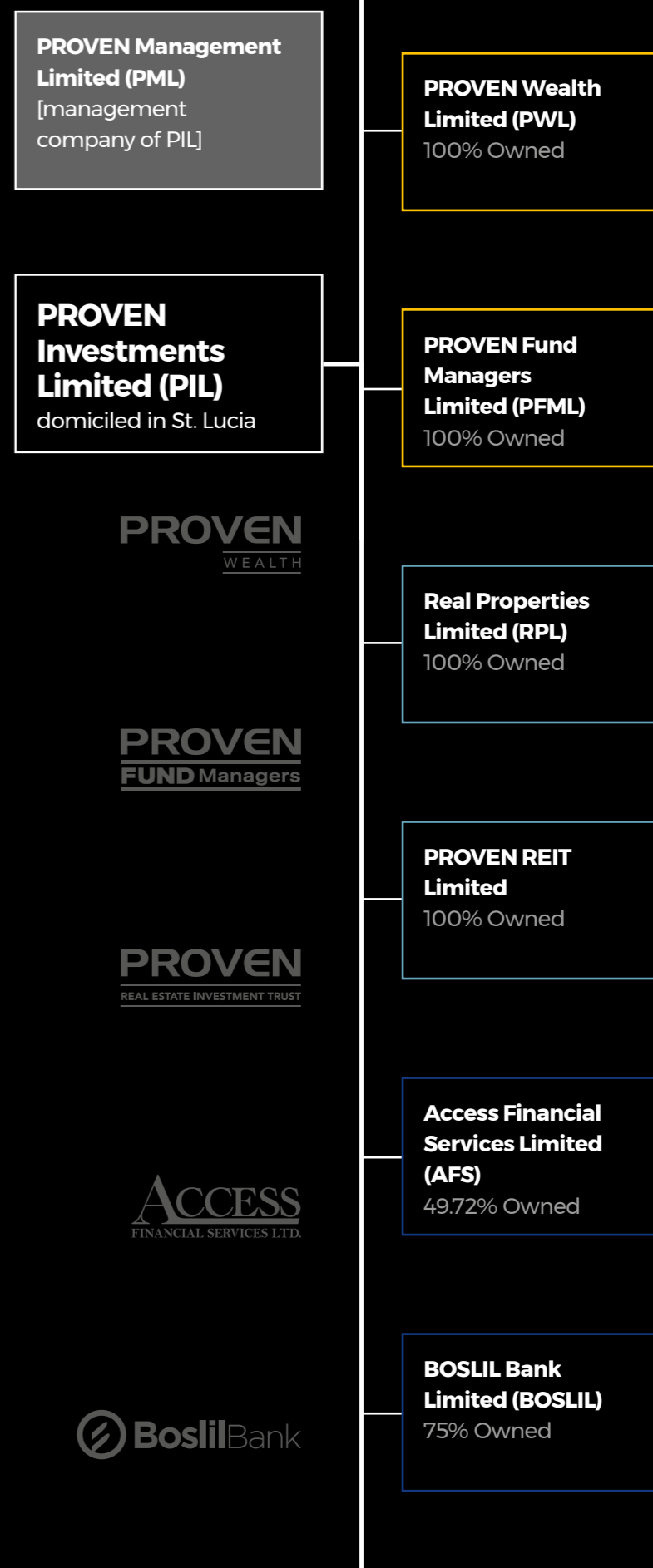
- Formerly Vice President at Dehring, Bunting & Golding Limited (DB&G);
- Company Secretary for PML, PWL, PFML, PREIT, REAL Properties Ltd. and AFS;
- Holds an MBA from McGill University, Canada and a B.Sc. from the University of the West Indies.

**Charmaine Boyd-Walker Vice President - Finance, Risk & Compliance**

- Formerly worked for Guardian Life Ltd., Jamaica Mutual Life and PricewaterhouseCoopers;
- Serves as a Director for PROVEN Wealth Ltd., PROVEN Fund Managers Ltd., PROVEN REIT Ltd., and Access Financial Services Ltd.;
- Holds an MBA in Finance from Manchester University.

# STRUCTURE

Corporate





PROVEN Investments Limited (PIL) once again proved it is a consistent force to be reckoned with in the investment market during the financial year 2017-2018. Through our timely acquisitions, lucrative subsidiaries, and accomplished team members, we have been able to remain above the fray in a tenuous global financial market.

This was reflected through notable accomplishments for the period, such as:

- An increase in Net Revenue by 45.65%, enhancing earnings of US\$24.82 million in the last financial year to US\$36.15 million this year.
- Realised gains from the trading of securities for the year which amounted to US\$4.29 million, more than 2.5 times the US\$1.72 million earned in 2016-2017.

Boslil Bank Limited is now a major contributor to PROVEN's overall profits and we are satisfied with the success of this acquisition. As a part of our strategic plan, a focus area was to minimize customer attrition and we successfully achieved that goal.

In December 2017, we signed a share purchase agreement for a securities dealer with headquarters in the Cayman Islands. During the 2018-2019 financial year, we expect to finalize the acquisition and integrate that business. We believe this addition will also prove to be beneficial to our portfolio.

Our recent strategic review of the Company, to be shared at the upcoming Annual General Meeting (AGM), focused on the theme "Organic Growth". We recognise that PROVEN has experienced tremendous success during its first eight years of operation and we know that to sustain this and to best serve our diverse customers, we must now focus on organic growth through efficiency and customer intimacy for the 2018-2019 financial year.

**The Group recognises that its human capital is its greatest resource and is committed to making all PROVEN subsidiaries a great place to work.**

We also recognise that to sustain our growth we must acknowledge the challenges that come with our successes. One such uncomfortable challenge has been the high staff turnover at PROVEN Wealth. To counteract this concern, Mr. Johann Heaven, one of our founding team members has been reassigned since December 2017 to help establish stability and improve employee engagement. To date, we have seen increased positive survey results regarding employee engagement and we continue to strive to improve in this arena.

The Company recognises the need for increased gender diversity on our Board which we feel will aid us in better serving and representing our diverse clientele and portfolio of assets and is working to address this in the near term. We expect to achieve some diversification by the 2019 AGM. As the region's premier holding company with targeted investments in financial services institutions, real estate, mezzanine loans and diversified global investment assets, PROVEN is and must respond to the needs and expectations of the population it serves.

As Chairman, I am honoured to continue serving our stakeholders alongside my Board colleagues to ensure the sustainable growth of the Company. On behalf of us all, including the stellar team members who work steadfastly every day, I express my sincerest gratitude to you our stakeholders and diverse clients – who have stood with us through the many successes and challenges. Your commitment and trust are commendable and appreciated.

Our success is your success and we promise to always put your interests at the forefront. That is a PROVEN fact.

**Best Regards,**

**Dr. The Hon. Hugh Hart, O.J., LLD**  
Chairman  
PROVEN Investments Limited

# DIRECTOR'S Profile



## **DR. THE HON. HUGH HART, O.J., LL.D** 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, the University of the West Indies conferred Mr. Hart with the Honorary Degree of Doctor of Laws (LL. D), recognizing his stellar contribution to Caribbean development.

## **RHORY MCNAMARA** 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. He served as a partner with responsibility for the areas of banking law, corporate law and corporate/private conveyancing. He presently represents on the board of several prominent private & public companies both in St. Lucia and abroad and has been the president of the St. Lucia Association for Persons with Developmental Disabilities since 2003.

## **YVOR NASSIEF** DIRECTOR

Managing Director and Owner, Archipelago Trading Ltd. - Dominica

Described as a well-accomplished Dominican businessman, Mr. Nassief is the former Executive Director of Dominica Coconut Products (1987-1995) and Fort Young Hotel (1986-2009). Currently the managing director and owner of Archipelago Trading Ltd., Dominica, he is involved in money services, insurance, duty-free retail, real estate development, shipping and distribution. Between 2005 and 2007, he served in the Dominican Senate as Minister of Tourism and is also the prior Chairman of Invest Dominica, the island's investment promotion agency.

## **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.

# DIRECTOR'S Profile

## 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.

## GARFIELD SINCLAIR DIRECTOR

President, Cable and Wireless Communications - Caribbean

Mr. Sinclair is the former President and Chief Operating Officer of Dehring, Bunting & Golding Limited (DB&G). 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 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).

## JEFFREY GELLINEAU DIRECTOR

Member, Institute of Chartered Accountants of Barbados

Mr. Gellineau has over 27 years of extensive audit experience at KPMG, Barbados and is 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.

# CORPORATE Info

## BOARD OF DIRECTORS

### Non-Executive

Mr. Hugh Hart – Chairman  
Mr. Rhory McNamara – Company Secretary  
Mr. Yvor Nassief  
Mr. John Collins  
Mr. Jeffrey Gellineau

### Executive

Mr. Garfield Sinclair  
Mr. Avinash Persaud

## REGISTERED OFFICE

PROVEN Investments Ltd.  
20 Micoud Street  
Castries, St. Lucia, W.I.

## ATTORNEYS-AT-LAW

Hart Muirhead Fatta  
Victoria Mutual Building, 2nd Floor,  
53 Knutsford Boulevard  
Kingston 5, Jamaica, W.I.

## REGISTRAR AGENT

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

## BANKERS

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

Ernst & Young  
8 Olivier Road  
Kingston 8, Jamaica, W.I.

## EXTERNAL AUDITORS

KPMG  
204 Johnsons Centre  
#2 Bella Rosa Rd  
Gros Islet, St. Lucia

## Contact Us

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☎ +1 (876) 978-3068  
✉ info@weareproven.com  
🌐 www.weareproven.com  
📱 @weareproven

## Mailing Address:

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



# SHAREHOLDERS

TOP 10

| Name                                      | Joint Holders                                | Volume            | %              |
|---|--|-------------------|----------------|
| <b>Peter Bunting</b>                      |  | <b>30,087,130</b> | <b>4.8116%</b> |
| <b>Nekia Limited</b>                      |  | <b>21,374,171</b> | <b>3.4182%</b> |
| <b>Mr. Marco Miret</b>                    |  | 2,809,146         | 0.4492%        |
|   | Ms. Nicole Miret                             | 12,875,000        | 2.0590%        |
|   |  | 625,000           | 0.1000%        |
| <b>Client Total Ownership</b>             |  | <b>16,309,146</b> | <b>2.6082%</b> |
| <b>Ozymandias Limited</b>                 |  | <b>15,085,706</b> | <b>2.4125%</b> |
| <b>Mr. John Owen Harold Greaves</b>       |  | 3,699,546         | 0.5916%        |
|   | Mrs Kerry Lee Rusti Zacca                    | 3,640,776         | 0.5822%        |
|   | Mrs Kerry Lee Rusti Zacca<br>Miss Paige Todd | 6,250,000         | 0.9995%        |
| <b>Client Total Ownership</b>             |  | <b>13,590,322</b> | <b>2.1734%</b> |
| <b>Alydar Limited</b>                     |  | <b>12,926,511</b> | <b>2.0672%</b> |
| <b>Pelican Investment Company Limited</b> |  | <b>14,172,821</b> | <b>2.27%</b>   |
| <b>Tajebe Limited</b>                     |  | <b>10,238,097</b> | <b>1.6373%</b> |
| <b>Mr. Winston Hepburn</b>                |  | <b>10,046,344</b> | <b>1.6066%</b> |
| <b>Mabet Holdings</b>                     |  | <b>9,984,272</b>  | <b>1.5967%</b> |

# DIRECTORS

Shares

| Name                 | Joint Holders     | Volume  |
|----------------------|-------------------|---------|
| Yvor Nassief         |                   | 0       |
| John J. Collins      | Catherine Collins | 300,000 |
| Hugh Cecil Hart *    |                   | 0       |
| Garfield Sinclair ** |                   | 0       |
| Rhory McNamara***    |                   | 0       |
| Jeffrey Gellineau    |                   | 0       |
| Avinash Persaud      |                   | 0       |

\* Interest in Pelican Investment Company Limited 14,172,821

\*\* Interest in Platoon Limited 6,234,384

\*\*\* Interest in Dorado Holdings 341,666

**PROVEN INVESTMENTS LIMITED REPORTS  
AUDITED FINANCIAL RESULTS**

The Board of Directors of PROVEN Investments Limited is pleased to report its audited financial statements for the year ended March 31, 2018.

**FINANCIAL HIGHLIGHTS**

|  |                             |
|--|-----------------------------|
| <b>Net Profit Attributable to Shareholders</b> ..... | <b>US\$5.68M</b>            |
| <b>Earnings per Share</b> .....                      | <b>US\$0.0094</b>           |
| <b>Quarter Proposed Dividend</b> .....               | <b>US\$0.0012 per share</b> |
| <b>Annualized Return on Equity</b> .....             | <b>7.26%</b>                |
| <b>Consolidated Total Assets</b> .....               | <b>US\$576.9M</b>           |
| <b>Efficiency Ratio</b> .....                        | <b>72.50%</b>               |

**FINANCIAL PERFORMANCE**

PROVEN Investments Limited experienced growth in Net Revenue for the year ended March 31, 2018, with a 45.65% increase to US\$36.15 million compared to US\$24.82 million earned during the previous year.

Net Profit attributable to shareholders for the year amounted to US\$5.68 million. This represents a 35.80% decline from the US\$8.85 million earned in the previous year. Last year's results, however, included extraordinary income and expenses arising from the BOSLIL Bank acquisition and if these were excluded from last year's results, net profit attributable to shareholders would have recorded a 39.80% increase year-over-year.

**TRADEABLE SECURITIES**

Spread income was the major contributor to revenue during the year, with a 40.60% improvement compared to last year, as net interest income totalled US\$20.39 million. This increase reflects the impact of the BOSLIL acquisition and ongoing efforts to augment spread management across the Group. Dividend income decreased by 40.53% to US\$0.81 million from US\$1.36 million reported for the previous year, due to a reduction in mutual fund holdings and the associated management fees, in favour of a direct investment in the underlying securities.

Realised gains from the trading of securities for the year amounted to US\$4.29 million, more than 2.5 times the US\$1.72 million earned for the previous year. Net Foreign Exchange Gains recorded a loss of US\$0.44 million compared to the gain of US\$1.90 million reported for the year ended March 2017. This decline occurred because of the revaluation of 2.20% experienced in the Jamaican dollar against the US dollar during the year compared to a 5.36% devaluation for the year ending March 2017.

**PRIVATE EQUITY**

Private equity investments that fit our risk to reward objectives, continue to be a strong area of focus as we explore vast opportunities throughout the region. Our current private equity holdings continue to boost our bottom-line.

**PROVEN Wealth Limited**

PROVEN Wealth Limited's net income after tax totalled US\$2.27 million for the year, representing a reduction of 33.90% year-over-year, mainly because of a difference in the effective tax rate, as pre-tax profit was only down by 4.63%. The firm continues its strategy to offer innovative off-balance sheet investment products to clients and reduce the issuing of repurchase agreements. Accordingly, the balance sheet experienced an overall 30.85% contraction compared to the same period last year. Total Assets for the company as at March 31, 2018, stood at US\$117.72 million. The strategic shift towards wealth management continues to be complemented by appropriate client engagement initiatives. Looking ahead, PWL is now focused on executing a holistic business process re-engineering and enhancing digital touch points, all geared to improving its customer experience.

**PROVEN Fund Managers Limited**

PROVEN Fund Managers Limited continues to be one of the top players in the Asset and Pension Fund Management and Administration business. During the year, the company launched its flagship Unit Trust suite of products dubbed "PROVEN Select", which offers clients direct participation in a diversified professionally managed portfolio of investments. Profitability increased by 21.92% compared to the same period last year, as net profit after tax for the year ended March 2018 was US\$0.55 million compared to US\$0.45 million for the year ended March 2017. This subsidiary continues to experience meaningful growth in assets under management which is consistent with the off-balance sheet, fee-based focus.

**REAL PROPERTIES Limited**

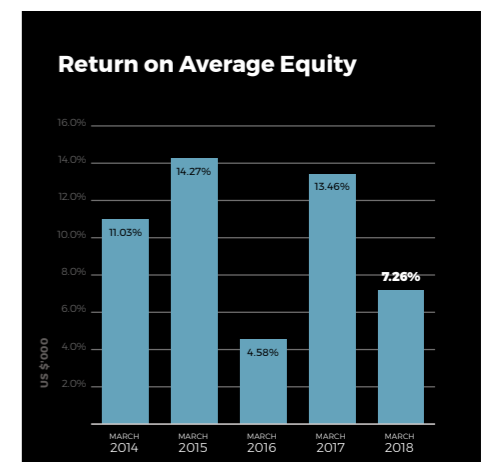
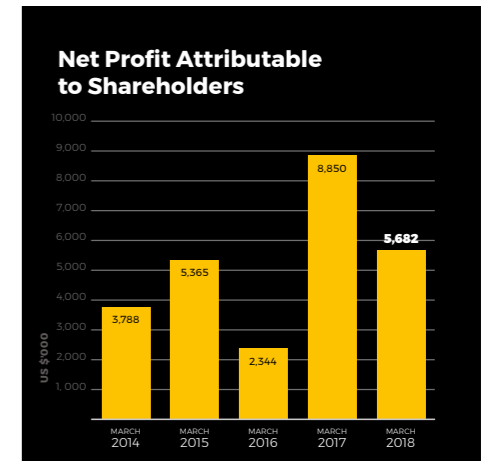
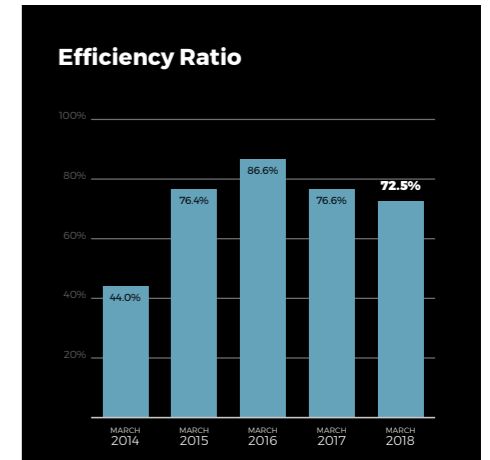
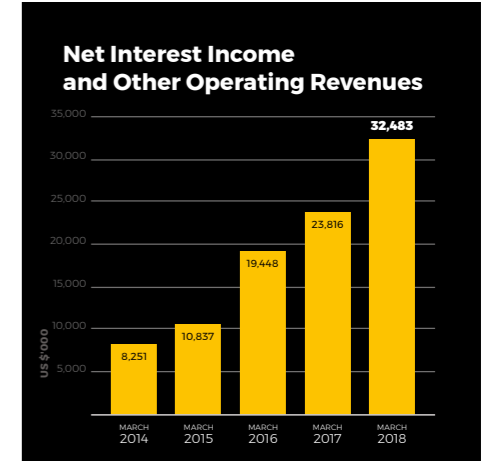
Real Properties Limited has successfully completed and sold its second residential development on Sullivan Avenue, Kingston 8. The third and fourth developments in the pipeline, have broken ground on Millsborough Avenue in Kingston 6 respectively, and are expected to be completed and sold over the next twelve to eighteen months. PROVEN is excited about the opportunities in this business segment and continues to closely monitor the local and international real estate markets for new opportunities.

**Access Financial Services Limited**

Access Financial Services Limited contributed considerably to the results of the Group during the year, producing net profits attributable to PIL of US\$2.80 million for the year ended March 31, 2018. Access Financials' loan portfolio was US\$23.40 million as at March 31, 2018, representing a 15.43% increase when compared to the balance as at March 31, 2017.

**BOSLIL Bank Limited**

PROVEN Investments Limited currently owns 75% of outstanding equity for BOSLIL Bank Limited. We are proud to report that BOSLIL Bank Limited experienced another successful period, contributing net profits attributable to PIL



of US\$2.98 million and total assets for the company as at March 31, 2018, stood at US\$262.96 million. The focus on portfolio rebalancing resulted in a noticeable reduction in cash and cash equivalent and an increase in investment assets which positively impacted both net interest income and the securities trading line item.

#### OPERATING EXPENSES

For the year ended March 31, 2018, consolidated operating expenses increased by 29.11% to US\$23.56 million from US\$18.25 million in the prior year. This increase was mainly due to the inclusion of the results of BOSLIL Bank in the Group for this financial year. This inclusion resulted in an increase in the Efficiency Ratio to 72.50% compared to 76.60% for the prior year. Expense management and consolidation have been a key focus of management as the Group seeks to reduce the efficiency ratio closer to the established target of 50%.

#### NET PROFIT

Net Profit attributable to shareholders totalled US\$5.68 million or 0.94 cents per share versus US\$8.85 million or 1.60 cents per share in the year ended March 2017. Annualized Return on Average Equity was 7.26% for the year ended March 31, 2018.

#### BALANCE SHEET

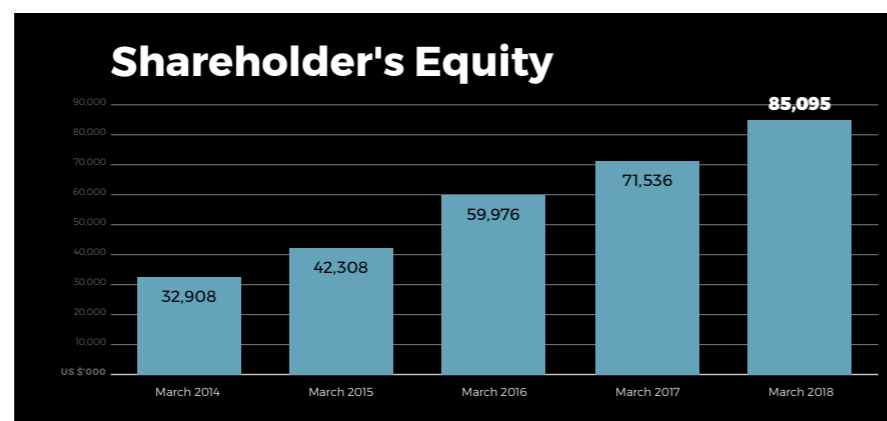
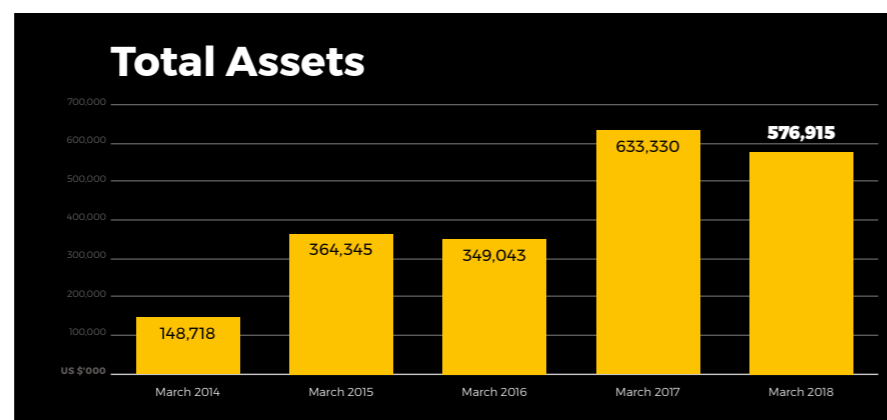
Total assets amounted to US\$576.92 million as at March 31, 2018, which represents a decline of 8.91% from US\$633.33 million as at March 31, 2017. This reduction was mainly due to a reduction in repurchase agreements and key liabilities that were paid off over the course of the year. Total liabilities decreased to US\$469.56 million as at March 31, 2018, from US\$543.47 million as at March 31, 2017. The reduction reflects a deliberate effort to deleverage the balance sheet.

#### SHAREHOLDERS' EQUITY

Shareholders' Equity attributable to the owners of the company increased by 18.95% to US\$85.09 million as at March 31, 2018 from US\$71.53 million as at March 31, 2017, in line with an increase in Share Capital and a positive change in the Investment Revaluation Reserve during the period, following a slight recovery in the bond market and additional capital raised in the Rights Issue in July 2017.

#### DIVIDEND PAYMENT

The Board of Directors has approved an interim dividend payment of US\$0.0012 per share to all ordinary shareholders on record as of June 8, 2018 and it will be paid on June 26, 2018. This will bring the total dividend for the financial year to US\$0.0070 per share, representing an Annualized tax-free dividend yield of 3.04% based on the average share price of US\$0.23 for the period ended March 31, 2018.



## Operating Environment

#### INTERNATIONAL

Over the twelve months to March 2018, global growth surprised to the upside amidst continued policy uncertainty and geopolitical risk. The IMF reported that growth strengthened in 2017 to 3.80%, mainly attributed to a rebound in global trade, investment recovery in advanced economies, continued strong growth in emerging markets and signs of recovery in several commodity exporters. Expectations for growth in the 2018/2019 period remains robust, however, is likely to be vulnerable to the gradual tightening of monetary policy, high levels of global indebtedness, and emerging geopolitical tensions, including potential trade wars.

The US executed on its data-driven plan to gradually remove monetary policy accommodation which resulted in four hikes, increasing its short-term interest rates by 100 basis points over the course of the year and bringing the rate within a range of 1.50% - 1.75%. The market continues to price in at least three rate hikes for the 2018 full year. Strong demand for longer-dated Treasury securities resulted in the flattening of the Treasury Curve, as shorter-term rates rose, while longer-term yields remained subdued. The spread between the 2- and 10-year Treasury Notes tightened to 47 bps as at March 2018, after starting the fiscal year at 110 bps; this sparked concerns around the possibility of an inversion of the yield curve which is regarded as a leading indicator of a recession.

The first half of the financial year was characterised by relatively low-rate volatility amidst gradual tightening of credit spreads. Credit market dynamics shifted around September on the back of improving economic outlook and a progressively hawkish US Federal Reserve, in turn giving rise to increasing interest rate risk. This set the backdrop for an acceleration in short-term rates as evidenced by a 100 bps rise in the Two-Year Treasury yield to end the fiscal year at 2.25%. Rising rates at the shorter end of the yield curve, along with low levels of volatility, served to curtail trading activities and by extension, total returns in the global credit markets. The corporate bond market was characterized by a robust new issuance, giving rise to early redemptions and tender offers as the corporate treasurer engaged in liability management aimed at taking advantage of relatively low-interest rates amidst expectations for a gradual increase.

There were observed upticks in inflation towards the Fed's targeted rate of 2% during the second half of the year; this along with reflationary concerns following the December passing of the tax reform bill fuelled the 10-year yield towards the 3% mark in the final quarter. Amidst these conditions, credit spreads in both the investment grade and the high yield space tightened. Both the European Central Bank and the Bank of Japan were more accommodative in their monetary policy stance despite signs of improving economic growth. The U.S. dollar experienced a steady decline against the other major currencies which augured well for emerging markets over the period.

Over the first three quarters, market conditions were characterized by record low volatility which propelled all the major world equity markets to record highs; volatility returned to the market during the January to

March quarter resulting in a market correction in the aftermath of the passing of the US Tax reform. Despite improving earnings growth, global stocks entered a new phase of volatility fuelled by concerns surrounding valuation, investor worries about rising interest rates, inflation pressures and escalating trade tensions between the U.S. and China. Talk of a potential trade war and U.S., Korea and Russia relations sent

In anticipation of heightened levels of volatility across global markets, the Group has started and will continue to proactively rebalance its portfolio based on the current economic outlook...

stocks reeling at various times throughout the quarter while emerging markets' stocks powered through the turmoil.

Rising interest rates impacted fair valuation levels, however, the proactive posture towards the management of interest rate risk, along with adherence to a conservative credit risk philosophy is intended to mitigate the ongoing

financial risk exposure of the Group. Looking ahead while long-term yields are largely anticipated to remain at their secular lows relative to historical levels, concerns regarding late cycle recovery and plans to unwind the balance sheet is likely to support relatively higher yields. Risk premia will continue to reprice, likely resulting in higher levels of overall market volatility relative to that experienced in 2017.

## REGIONAL

Following two years of a lacklustre outlook for Emerging Markets, the last twelve months showed signs of a gradual turnabout supported primarily by an uptick in commodity and service demand, connected with improved economic outlook in advanced economies along with a declining dollar. The region is estimated to have grown by a modest 0.90% in 2017 amidst an active Atlantic Hurricane season which caused extensive damages.

Global commodity prices increased and pushed regional consumer prices higher during 2017. Excluding Suriname (which continues to experience above-average inflation), inflation reached 1.30% year-over-year at September 2017 compared to 0.50% one year earlier. Most recent data suggest that inflation accelerated across most of the region, with inflation falling significantly only in Trinidad and Tobago, where domestic demand remains weak. Further, growth in foreign exchange (FX) reserves in net commodity importers, has generally slowed with reserve expansion limited primarily to the OECS, Curacao and Saint Maarten, Jamaica and the Bahamas.

Caribbean issuers benefited as the market assessed the impact of a slow process of normalization in rates around the world, and expectations of higher inflation

in the U.S. still tamed. Investors' search for yield continued to benefit countries in the region with improving fiscal balances and/or with government policy moving towards that direction.

Regional fiscal conditions deteriorated over the course of the year. The median fiscal deficit of central governments increased from 0.70% of GDP in 2016 to 1.60% in 2017. Barbados, Suriname, and Trinidad and Tobago received credit rating downgrades. High levels of indebtedness remain, with increasing debt service payments crowding out the productive expenditure needed to stimulate growth. The median public debt burden

**PIL is being positioned as a Latin American and Caribbean holding company whose targeted investments include financial services institutions, real estate, mezzanine loans and diversified global investment assets.**

declined marginally from 67% of GDP in 2016 to 65% in 2017. However, Jamaica and the Dominican Republic continued a positive path with both issuers tapping the international capital markets within the period.

Jamaica's economic growth came in at 0.90% for the 2017/2018 period, well below forecasted levels but represents steady modest gains relative to the contraction experienced in prior years. Efforts of the Economic Growth Council to stimulate growth continue to be negatively impacted by high indebtedness. A commitment towards fiscal prudence to engineer economic reform continues to see steady implementation as evidenced in debt to GDP reducing to 105% relative to the target of 111% at the end of the 2017/2018 fiscal year. Monetary policy remains largely accommodative resulting in the Jamaican Dollar benchmark rate falling to multi-decade lows to end the fiscal year at 2.75%. The BOJ successfully implemented a new Foreign Exchange Intervention and Trading Tool, or "B-FXITT" in the last quarter of 2017. According to the Governor, 'The tool has so far influenced supply or demand dynamics, noticeably reducing episodes of disruptive volatility'. This in addition to more stringent enforcement of FX position limits relative to capital levels of the regulated financial institution, has improved the level of transparency and predictability that now accompany the BOJ's market operations. Against this background along with transitory factors, there was a shift in the one-directional trend in the value of the Jamaican Dollar (JMD), resulting in a full year appreciation of 2.20%.

The region is expected to grow by 2% in 2018 and 2.60% in 2019. Returns to growth are projected for Suriname and Trinidad and Tobago, driven by continued recovery in the energy sectors. There will be further hotel

investment in St. Kitts and Nevis and Saint Lucia. An increase in growth is forecasted for Jamaica, as agriculture recovers and mining advances. Growth is also forecasted for the service dependent economies and reconstruction activity should drive growth in the five countries most affected by Hurricanes Irma and Maria.

## STRATEGIC OUTLOOK AND DIRECTION

The evolution of PROVEN Investments Limited has been predicated on our proven track record to effectively execute on our private equity strategy. Looking forward, we intend to build on this solid foundation primarily through the following areas of strategic focus:

1. Organic growth of existing portfolio companies
2. Expand regional footprints
3. Mitigating financial risk
4. Stakeholder centricity

### Organic Growth of Existing Portfolio Companies

Critical to PROVEN's continued success is the ability to leverage the existing portfolio of businesses to drive growth in shareholder return; this will be achieved through a symbiotic focus on increasing revenue and sales capacity while leveraging synergies and technological innovation to achieve operational excellence. A central part of our vision is to bring differentiated and innovative products to our customers. A continued effort in this area will be a critical part of achieving organic growth across existing subsidiaries. The 2017 acquisition of Bank of St. Lucia, enables the addition of offshore banking capabilities which the Group will continue to leverage in support of our thrust to deliver exceptional value to our customers and shareholders.

### Expand Regional Footprints

The acquisition of BOSLIL represents a 'sneak peek' into the future; to this end, we are constantly evaluating business opportunities across the 28 territories of the Caribbean and Latin America in search of attractive private equity deals that fit our risk and return profile. PIL is being positioned as a Latin American and Caribbean holding company whose targeted investments include financial services institutions, real estate, mezzanine loans and diversified global investment assets.

### Mitigating Financial Risk

We continue to expect a heightened level of volatility across global markets over the medium term as we enter a new phase of the business cycle and central banks shift from the current accommodative stance. In consideration of this, the Group has started and will continue to proactively rebalance its portfolio holding to reflect this outlook. These efforts will be complemented by the existing robust framework in place for asset allocation and security selection.

### Stakeholder Centricity

The Group recognises that its human capital is its greatest resource and is committed to making all PROVEN subsidiaries a great place to work. This will be achieved through a continued emphasis on

empowerment and capacity building of team members through training and development initiatives across the Group. Customer experience is also high on the agenda; the Group will continue to leverage technology solutions to align with the emerging needs of our target niche with the ultimate objective of providing best in class client support and services. PROVEN takes its corporate social responsibility seriously and continues to seek to align the brand with impactful initiatives geared towards enhancing the Human Development Index of the markets in which it operates.

**A central part of our vision is to bring differentiated and innovative products to our customers.**

## RISK MANAGEMENT

By its nature, PIL'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 risks. The aim is, therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance.

PIL's risk management policies are designed to identify and analyze 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 Board of Directors is ultimately responsible for the establishment and oversight of the risk management framework. The Board has established committees for managing and monitoring risks, as follows:

(i) Investment Management Committee

(ii) Audit & Compliance Committee

The Investment Management Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

**Credit Risk** - is the risk of default by an obligor. This risk is managed primarily by reviews of the financial status of each obligor. Credit risk may be disaggregated into three (3) types of risk:

- i. *Default (Counterparty) risk* - the possibility that the issuer will fail to meet its payment obligations or other contractual covenants. A technical default may occur due to the issuer's violation of other agreed terms (e.g. failure to maintain a certain financial ratio at/above a pre-determined level).
- ii. *Credit spread risk* - measured by the amount of yield differential above the return on a benchmark, default-free security (e.g. Treasury bills) demanded by investors to compensate for buying the riskier security. The risk is that the riskier security might offer a lower than required premium.
- iii. *Downgrade risk* - risk that a bond will be reclassified as a riskier security by a credit rating agency (e.g. Standard & Poor's). A downgrade in the rating of a security usually leads to a fall in its market price.

To mitigate credit risk exposure, the Company:

- Seeks to ensure that no credit rating for an asset falls below the minimum approved rating. Credit ratings are

sourced from International rating agencies such as S&P, Moody's or CariCRIS, or from internal credit research.

- Ensures that the assets are diversified across various issuers (e.g. countries, corporations) subject to limitations on the maximum exposure to any one issuer.

**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. PIL'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 or stressed conditions. Prudent liquidity risk management procedures which are used include, maintaining sufficient cash and marketable securities, and monitoring future cash flows and liquidity daily.

The Company's liquidity management process includes:

- i. Monitoring future cash flows and liquidity daily. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure funding if required;
- ii. Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flows;
- iii. Optimising cash returns on investment;
- iv. Monitoring statement of financial position liquidity ratios against internal 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.

**Market Risk** - is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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 rate 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.

- i. **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. PIL 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 Jamaican dollar (JA\$), Euro (€) and Trinidad and Tobago dollar (TT\$). 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.

- ii. **Interest Rate Risk** - is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. PIL 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 Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

- iii. **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 PIL's investment strategy is to maximise investment returns.

**Operational risk**: is the risk arising from the execution of an enterprise's business functions, particularly the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events such as:

- i. **Internal Fraud** - misappropriation of assets, tax evasion, intentional mismarking of positions, and bribery;
- ii. **External Fraud** - theft of information, hacking damage, third-party theft and forgery;
- iii. **Employment Practices and Workplace Safety** - discrimination, workers' compensation, employee health and safety;
- iv. **Clients, Products, & Business Practice** - market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning;
- v. **Damage to Physical Assets** - natural disasters, terrorism, vandalism;
- vi. **Business Disruption & Systems Failures** - utility disruptions, software failures, hardware failures; and
- vii. **Execution, Delivery, & Process Management** - data entry errors, accounting errors, failed mandatory reporting, negligent loss of client assets

Operational Risk is monitored and reported by Ernst & Young, who perform comprehensive quarterly external audits of the company's operations, focusing on the operational areas that have been assessed to involve a high level of risk. The Internal Auditors report directly to the Audit & Compliance Committee of the Board of Directors, which is comprised mostly of independent directors.

Our annual Corporate Social Responsibility report reflects our efforts to inspire and shows our commitment to developing and enhancing the communities in which we operate. We strive to invest in opportunities that promote education and the entrepreneurial development of our young people, as we seek to empower people everywhere to face the critical challenges of today.



## We are committed to investing in paths to success through Education, Training and Development.

PROVEN's team views education as an investment in our collective future. That is why we support programmes and organisations that educate and empower people. In this financial year, US\$ 26,000 was spent, partnering with educational institutions through their development programmes.

We at PROVEN feel that the best way to prepare young people for success is through internships that provide hands-on learning experiences and insights into the workplace. Our annual internship program seeks to align the development of workforce-related skills in young university students, to encourage them to be better informed about their opportunities and choices.

## We are committed to the development of Entrepreneurial Enterprises

We invest in and support programs and organisations that help small businesses thrive. This year, our contribution of time and funding to the Branson Centre of Entrepreneurship provides a pathway to helping entrepreneurs expand businesses, start companies and create jobs, embracing the philosophy that a small investment is all it takes to propel greatness and help others succeed.



## We are committed to strengthening our Communities

Connecting and collaborating through communities ultimately benefits everyone, and serving the community is a practice we passionately embrace. It offers a powerful opportunity to build relationships and grow capabilities. Whether it is supporting charitable organisations, sponsoring civic activities, or contributing to nation-building, we strive to make our Caribbean communities a better place to live and work. We are excited about the opportunity we have to get better every day, impacting our communities through productive partnerships.

We are proud of what we accomplished in this financial year, but there is still more to be done as we continue to ensure that we have a sustainable impact where we do business and make a conscientious effort to be a force for good in all our communities.



## OVERVIEW

PROVEN Investments Limited aims to achieve a high standard of corporate governance that reflects best practice and ensures compliance with legal and regulatory requirements. The Board is committed to the improvement of investor confidence, through the promotion of good governance in the performance of its duties and the operation of the Company.

## BOARD OF DIRECTORS

The Board of Directors has overall responsibility and accountability for the Company's affairs and is ultimately accountable for enhancing stakeholder value by overseeing the strategic and operational direction of the Company. The responsibilities of the Board are separate and distinct from those of management and includes;

- Selecting individuals for Board membership and evaluating the performance of the Board, Board committees and individual directors;
- Reviewing and monitoring the 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 and
- Providing guidance and support to the management team.

## BOARD COMPOSITION

The Board is currently comprised of seven directors and is chaired by Dr. the Hon. Hugh Hart O.J., LL.D. Our directors have diverse skill sets, experience and backgrounds which include local and international experience in banking, business, strategic management, accounting, law and academia and are recognised 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 five independent directors.

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, a material business relationship with the Company, either directly, or as a partner, shareholder, director or senior employee of an entity that has such a relationship with the Company;
- Has not received or is receiving additional remuneration from the Company apart from the 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

|                   | Executive/Non executive | Independent     |
|-------------------|-------------------------|-----------------|
| Hugh Hart         | Non Executive           | Not Independent |
| Avinash Persaud   | Executive               | Independent     |
| John Collins      | Non Executive           | Independent     |
| Jeffery Gellineau | Non Executive           | Independent     |
| Rhory McNamara    | Non Executive           | Independent     |
| Garfield Sinclair | Executive               | Not Independent |
| Yvor Nassif       | Non Executive           | Independent     |

## BOARD MEETINGS

To perform its responsibilities, the Board meets a minimum of once per quarter. Board members are required to attend Board and assigned Board Committee meetings regularly and to prepare for and participate actively in those meetings. Additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. For the financial year, the Board convened five (5) times, which were all regularly scheduled meetings. Each director's attendance at meetings of the Board is set out in the table below.

| PIL Board Meetings 2017/2018 | May-17 | Jul-17 | Sep-17 | Nov-17 | Feb-18 |
|------------------------------|--------|--------|--------|--------|--------|
| Hugh Hart                    | ✘      | ✘      | ✔      | ✔      | ✔      |
| Avinash Persaud              | ✔      | ✔      | ✔      | ✔      | ✔      |
| John Collins                 | ✔      | ✘      | ✔      | ✔      | ✘      |
| Jeffery Gellineau            | ✔      | ✔      | ✔      | ✔      | ✔      |
| Rhory McNamara               | ✔      | ✔      | ✔      | ✔      | ✔      |
| Garfield Sinclair            | ✔      | ✘      | ✔      | ✔      | ✔      |
| Yvor Nassif                  | ✔      | ✔      | ✘      | ✘      | ✔      |

| PIL Audit & Compliance Committee Meetings 2017/2018 | May 2017 | July 2017 | Nov 2017 | Feb 2018 |
|---|----------|-----------|----------|----------|
| Jeffery Gellineau                                   | ✔        | ✔         | ✔        | ✔        |
| Garfield Sinclair                                   | ✔        | ✘         | ✔        | ✔        |
| Yvor Nassif   | ✔        | ✔         | ✘        | ✔        |

## BOARD EVALUATION

Each year, the Board undertakes an effectiveness review, to assess its performance. An annual questionnaire-based evaluation is undertaken by the directors which includes an assessment of the performance of the Board, and Board Committee. 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. For the evaluation performed it was agreed 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 directors have delegated specific functions to a sub-committee, the Audit and Compliance Committee, to assist the Board in carrying out its functions and ensure 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 committee's functions also include oversight of the internal audit and external audit processes, 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 30 to 32 of the 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 of the Company's affairs. Participation and open discussion at the AGM is 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 held on September 14, 2017.

## SHAREHOLDER COMMUNICATION

PROVEN aims to engage with our shareholders transparently and regularly in order to facilitate a mutual understanding of our respective objectives and is committed to promoting 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. Quarterly Investor updates on our financial performance and business highlights and updates are provided in our shareholders magazine posted on the company's website.

## DIRECTORS COMPENSATION

Our Corporate Governance Code, recognises 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. For the financial year a total of US\$261,000 was paid to directors across all entities. Employees who serve on boards do not receive additional compensation for service performed in this capacity.

## 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. Our 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; and
- Take their responsibilities seriously, are competent and honour their obligations to colleagues, clients and other business contacts.

## OUR CLIENTS

- All clients deserve the same attention and the best service we can provide;
- Benefit from their association with us. We recognise 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.

## OUR SHAREHOLDERS

- Maximize their worth by earning competitive returns on their investment;
- Enhance the reputation of the Company thereby creating value and strengthening the Company's position in the market; and
- Safeguard their assets using disciplined and informed management.

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



The Audit and Compliance Committee continues to play a key role on behalf of the Board. The Audit & Compliance Committee assists the Board in the oversight of the systems of internal controls, the Company's financial reporting processes and audit functions, as well as compliance with legal and regulatory requirements. The Committee reviews adherence to accounting policies and oversees the work of the internal and external auditors.

The Committee consists of two (2) non-executive, independent Board members and one (1) executive non-independent member. The Committee is chaired by Mr. Jeffrey Gellineau, a non-executive director who is a financial expert, i.e. a qualified accountant or shall have significant recent and relevant financial expertise, and the other members are financially literate in accordance with the Terms of Reference of 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 27 of the 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 of Internal Auditors and related budget and staffing;
- Reviewed internal audit reports covering financial investments and liabilities, information technology (IT) and corporate governance audits, in consideration of which recommendations for improvements were made to management and the Board, which were accepted and either implemented or are in the process of being implemented;
- Reviewed the Financial, Compliance, Risk and Governance performance of the Company throughout the year.

**The full mandate of the Audit and Compliance Committee as outlined in its Board approved charter is reflected below:**

### 1. 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:

- 1.1 The integrity of the Company's financial statements.
- 1.2 The Company's policies, programs 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.
- 1.3 The Company's efforts to implement legal obligations arising from material agreements and undertakings.

- 1.4 The qualifications and independence of the Company's external auditors.
- 1.5 The performance of PROVEN's internal audit function and its external auditors.

### 2. MEMBERSHIP

- 2.1 The Committee will consist of at least three and no more than nine members of the Board of Directors, with the majority not being officers or employees of the company or any of its affiliates.
- 2.2 The Committee shall be chaired by a member who is a non-executive director.
- 2.3 No members shall participate in any issue in which that member has a direct personal financial or business interest.
- 2.4 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.
- 2.5 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.

### 3. RESPONSIBILITIES

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

#### 3.1 Financial Statements

1. Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
  - i. Complex or unusual transactions and highly judgmental areas.
  - ii. Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles.
  - iii. The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
2. 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.
3. 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.
4. Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
5. Analyze how management develops interim financial information and the nature and extent of internal and external auditor involvement.

### 3.2 Internal Control

1. Consider the effectiveness of the Company's internal control system.
2. Analyze the scope of internal and external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations along with management's responses.

### 3.3 Internal Audit

1. 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.
2. 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.
3. Meet separately with internal auditors to discuss any matters that the Committee or group of internal auditors believe should be discussed privately.

### 3.4 External Audit

1. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
2. Review the performance of the external auditors and exercise final approval of their appointment or discharge. In performing this review, the Committee will:

- i. 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.
  - ii. Consider the opinions of management and internal auditors.
  - iii. Review and evaluate the lead partner of the external auditor.
  - iv. Present its conclusions with respect to the external auditor to the Board.
3. 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.
  4. 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.

### 3.5 Compliance

1. Review the Company's policies, programs and procedures for ensuring compliance with relevant legal and regulatory requirements, the Company's Code of Ethics and Conduct, policies, other relevant standards, best practice and legal obligations, including those imposed by material agreements and undertakings.
2. Review annually PROVEN's Compliance Plan and assess the implementation of the plan during the period under review.
3. Review the findings of any examinations by regulatory agencies and any auditor observations.
4. Review the process for communicating the code of conduct to the Group's personnel, and for monitoring compliance therewith.
5. Review PROVEN's compliance risk assessment plan.
6. Investigate or cause to be investigated any significant instances of non-compliance or potential compliance violations that are reported to the Committee.
7. 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.
8. Meet separately with the Head of the Finance/Compliance Department to discuss compliance matters, 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.

### 3.6 Reporting Responsibilities

1. Report to the Board of Directors on 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 PROVEN's internal audit function.
2. Provide an open avenue of communication between internal auditors, external auditors and the Board of Directors, and between PROVEN's and the Company's Compliance Functions and the Board of Directors.
3. Review any other reports that relate to Committee responsibilities.
4. Report to the Board of Directors any matter for which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

### 3.7 Other Responsibilities

1. Discuss with management the Company's major policies with respect to risk assessment and risk management.
2. Perform other activities related to this charter as requested by the Board of Directors.
3. Institute and oversee special investigations as needed.
4. 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.
5. Confirm (annually) that all responsibilities outlined in this charter have been carried out.



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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") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 41 to 119 which comprise the Group's and Company's statements of financial position as at March 31, 2018, the Group's and Company's 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 financial statements present fairly, in all material respects, the financial position of the Group and the Company as at March 31, 2018, and the Group's and Company's financial performance and 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 the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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 a separate opinion on these matters.

1. *Impairment of goodwill and intangible assets*

| Key Audit Matter   | How the matter was addressed in our audit   |
|--|---|
| <p>The carrying value of the Group's goodwill and intangible assets may not be recoverable due to changes in the business and economic environment in which Access Financial Services Limited operates. 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 Note 11 of the financial statements.</i></p> | <p>Our audit procedures included testing the reasonableness of the Group's forecasts and discounted cash flow calculations, including:</p> <ul style="list-style-type: none"> <li>• Using our own valuation specialists to evaluate the assumptions and methodologies used by management, and testing the mathematical accuracy of the computations;</li> <li>• Comparing the Group'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 the subsidiaries' market capitalisation to assess the reasonableness of those cash flows; and</li> <li>• Assessing the adequacy of the Group's disclosures about the sensitivity of the impairment assessment to changes in key assumptions.</li> </ul> |



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

**Key Audit Matters (continued)**

2. *Valuation of investment securities and derivatives*

| <i>Key Audit Matter</i>   | <i>How the matter was addressed in our audit</i>  |
|---|---|
| <p>The valuation of the Group's investment securities, including derivatives, requires significant estimation, which is impacted by uncertainty of market factors, pricing assumptions and general business and economic conditions. This is particularly relevant for structured notes, which do not have readily comparable instruments for pricing purposes.</p> <p><i>See Notes 5 and 35 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 to determine the fair value of investment securities and derivatives. This included independent computations and comparison of the fair value of structured notes and derivatives;</li> <li>• Evaluated indicators of impairment in respect of investment securities. Reviewed management's assessment and considered whether indicators of impairment are appropriately considered and reflected in the measurement of investments;</li> <li>• Performed detailed analysis of material securities exhibiting indicators of impairment to assess whether adequate impairment allowance was recognised in the financial statements.</li> <li>• Assessed the adequacy of the Group's disclosures about impairment allowances and the sensitivity of the impairment assessment 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 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 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.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

**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. 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 39-40, forms part of our auditors' report.

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

Chartered Accountants  
May 28, 2018

Saint Lucia



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 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 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.



**PROVEN INVESTMENTS LIMITED**

**Group Statement of Financial Position**

as of March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
PROVEN INVESTMENTS LIMITED

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

- 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.
- 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.

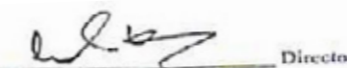
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

|  | <u>Notes</u> | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000<br>Restated* | <u>2016</u><br>\$'000<br>Restated* |
|--|--------------|-----------------------|------------------------------------|------------------------------------|
| <b>ASSETS</b>                                |              |                       |                                    |                                    |
| Cash and cash equivalents                    | 3(c)(ii)     | 89,363                | 151,314                            | 13,721                             |
| Resale agreements                            | 4            | 24,373                | 38,498                             | 38,767                             |
| Investment securities                        | 5            | 369,085               | 362,259                            | 232,158                            |
| Inventory                                    |              | -                     | -                                  | 643                                |
| Loans receivable                             | 6            | 43,903                | 39,421                             | 24,993                             |
| Other assets                                 | 7            | 10,350                | 11,571                             | 10,602                             |
| Owed by related parties                      |              | -                     | -                                  | 338                                |
| Income tax recoverable                       |              | 51                    | 51                                 | 51                                 |
| Property development in progress             | 8            | -                     | 200                                | 210                                |
| Investment property                          | 10           | 17,348                | 6,148                              | 6,013                              |
| Intangible assets                            | 11           | 20,014                | 21,190                             | 19,853                             |
| Property, plant and equipment                | 12           | 1,039                 | 965                                | 597                                |
| Deferred tax asset                           | 19           | <u>1,389</u>          | <u>1,713</u>                       | <u>1,097</u>                       |
| Total assets                                 |              | <u>576,915</u>        | <u>633,330</u>                     | <u>349,043</u>                     |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |              |                       |                                    |                                    |
| <b>Liabilities</b>                           |              |                       |                                    |                                    |
| Repurchase agreements                        | 13           | 93,709                | 142,999                            | 159,830                            |
| Owed to related parties                      | 14           | 98                    | 949                                | -                                  |
| Notes payable                                | 15           | 110,961               | 96,687                             | 96,529                             |
| Current income tax payable                   |              | 1,143                 | 1,623                              | 198                                |
| Other liabilities                            | 16           | 4,220                 | 12,843                             | 11,540                             |
| Due to banks                                 |              | 2,187                 | 2,210                              | -                                  |
| Due to customers                             | 17           | 240,829               | 270,055                            | -                                  |
| Deferred income                              |              | -                     | 130                                | -                                  |
| Preference shares                            | 18           | <u>16,416</u>         | <u>15,977</u>                      | <u>7,978</u>                       |
| Total liabilities                            |              | <u>469,563</u>        | <u>543,473</u>                     | <u>276,075</u>                     |
| <b>Stockholders' equity</b>                  |              |                       |                                    |                                    |
| Share capital                                | 20           | 86,716                | 69,248                             | 69,248                             |
| Fair value reserve                           | 21           | ( 8,194)              | ( 4,297)                           | ( 13,190)                          |
| Foreign exchange translation reserve         | 22           | ( 6,875)              | ( 7,564)                           | ( 5,809)                           |
| Retained earnings                            |              | <u>13,448</u>         | <u>14,149</u>                      | <u>9,727</u>                       |
| Equity attributable to owners of the company |              | 85,095                | 71,536                             | 59,976                             |
| Non-controlling interest                     | 23           | <u>22,257</u>         | <u>18,321</u>                      | <u>12,992</u>                      |
| Total stockholders' equity                   |              | <u>107,352</u>        | <u>89,857</u>                      | <u>72,968</u>                      |
| Total liabilities and shareholders' equity   |              | <u>576,915</u>        | <u>633,330</u>                     | <u>349,043</u>                     |

The financial statements on pages 41 to 119 were approved for issue by the Board of Directors on May 28, 2018 and signed on its behalf by:

  
Rhory McNamara Director

  
Jeffrey Gellineau Director

\*See note 36

The accompanying notes form an integral part of the financial statements.

**PROVEN INVESTMENTS LIMITED**
**Group Statement of Profit or Loss  
and Other Comprehensive Income**

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

|   | Notes       | 2018<br>\$'000 | 2017<br>\$'000<br>Restated* |
|---|-------------|----------------|-----------------------------|
| <b>Net interest income and other revenue</b>      |             |                |                             |
| Interest income                                   | 24          | 28,490         | 24,149                      |
| Interest expense                                  | 24          | ( 8,099)       | ( 9,646)                    |
|   |             | 20,391         | 14,503                      |
| Dividends   |             | 807            | 1,357                       |
| Fees and commissions                              |             | 5,076          | 2,368                       |
| Net fair value adjustments and realised gains     | 25          | 4,293          | 1,720                       |
| Net foreign exchange (losses)/gains               |             | ( 444)         | 1,902                       |
| Pension management income                         |             | 2,360          | 1,966                       |
| <b>Operating revenue, net of interest expense</b> |             | 32,483         | 23,816                      |
| <b>Other income</b>                               |             | 3,667          | 1,006                       |
| Total   |             | 36,150         | 24,822                      |
| <b>Operating expenses</b>                         |             |                |                             |
| Staff costs                                       | 26          | 8,608          | 8,310                       |
| Depreciation and amortisation                     | 11,12       | 1,659          | 1,343                       |
| Impairment losses of loans and other assets       | 6,7         | 2,273          | 1,156                       |
| Impairment reversal on investments                |             | -              | ( 921)                      |
| Property expenses                                 |             | 2,155          | 565                         |
| Other operating expenses                          | 27          | 8,866          | 7,796                       |
| Total   |             | 23,561         | 18,249                      |
| <b>Operating profit</b>                           |             | 12,589         | 6,573                       |
| Preference share dividend                         | 29(f)       | ( 976)         | ( 2,184)                    |
| Gain on acquisition of business                   | 9(a),(b)(i) | 48             | 8,030                       |
| <b>Profit before income tax</b>                   |             | 11,661         | 12,419                      |
| <b>Income tax charge</b>                          | 28          | ( 2,154)       | ( 697)                      |
| <b>Profit for the year</b>                        |             | 9,507          | 11,722                      |
| Profit attributable to:                           |             |                |                             |
| Owners of the company                             |             | 5,682          | 8,850                       |
| Non-controlling interest                          |             | 3,825          | 2,872                       |
| Profit for the year                               |             | 9,507          | 11,722                      |
| Earnings per stock unit                           | 30          | 0.94¢          | 1.60¢                       |

\*See note 36

The accompanying notes form an integral part of the financial statements.

**PROVEN INVESTMENTS LIMITED**
**Group Statement of Profit or Loss  
and Other Comprehensive Income**

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

|  | 2018<br>\$'000 | 2017<br>\$'000<br>Restated* |
|--|----------------|-----------------------------|
| <b>Profit for the year</b>   | 9,507          | 11,722                      |
| <b>Other comprehensive (loss)/income</b>                               |                |                             |
| Items that are or may be reclassified to profit or loss:               |                |                             |
| Realised gains on available-for-sale securities                        | 3,052          | 10,756                      |
| Unrealised losses on available-for-sale securities, net of tax         | ( 6,854)       | ( 1,139)                    |
| Deferred tax on fair value adjustment on available-for-sale securities | ( 95)          | ( 724)                      |
| Exchange differences on translation of foreign operations              | 689            | ( 1,755)                    |
| Total other comprehensive (loss)/income                                | ( 3,208)       | 7,138                       |
| <b>Total comprehensive income for the year</b>                         | 6,299          | 18,860                      |
| Total comprehensive income attributable to:                            |                |                             |
| Owners of the company  | 2,474          | 15,988                      |
| Non-controlling interests  | 3,825          | 2,872                       |
| Total comprehensive income for the year                                | 6,299          | 18,860                      |

\*See note 36

The accompanying notes form an integral part of the financial statements.

## Group Statement of Changes in Equity

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

|  | Share<br>capital<br>\$'000<br>(note 20) | Fair<br>value<br>reserve<br>\$'000<br>(note 21) | Foreign<br>exchange<br>translation<br>reserve<br>\$'000<br>(note 22) | Retained<br>earnings<br>\$'000 | Attributable<br>to<br>equity<br>holders<br>of the<br>Company<br>\$'000 | Non-<br>controlling<br>interest<br>\$'000 | Total<br>\$'000 |
|--|---|---|--|--------------------------------|--|---|-----------------|
| <b>Balances at March 31, 2016, as previously reported</b>                                | 69,248                                  | (13,190)  | (5,809)  | 9,400                          | 59,649   | 12,662                                    | 72,311          |
| Prior year adjustment (see note 36)  | -                                       | -   | -  | 327                            | 327  | 330                                       | 657             |
| Restated balances at March 31, 2016  | 69,248                                  | (13,190)  | (5,809)  | 9,727                          | 59,976   | 12,992                                    | 72,968          |
| <b>Total comprehensive income for the year</b>   |   |   |  |                                |  |   |                 |
| Profit for the year, as restated (see note 36)   | -                                       | -   | -  | 8,850                          | 8,850  | 2,872                                     | 11,722          |
| Other comprehensive loss for the year  |   |   |  |                                |  |   |                 |
| Foreign exchange differences on translation of foreign subsidiary's financial statements | -                                       | -   | (1,755)  | -                              | (1,755)  | -   | (1,755)         |
| Realised gains on available-for-sale securities  | -                                       | 10,756  | -  | -                              | 10,756   | -   | 10,756          |
| Unrealised losses on fair value of available-for-sale securities                         | -                                       | (1,139)   | -  | -                              | (1,139)  | -   | (1,139)         |
| Deferred tax credit on fair value adjustments  | -                                       | (724)   | -  | -                              | (724)  | -   | (724)           |
| Other comprehensive loss for the year, net of tax  | -                                       | 8,893   | (1,755)  | -                              | 7,138  | -   | 7,138           |
| <b>Total comprehensive income for the year, as restated</b>                              | -                                       | 8,893   | (1,755)  | 8,850                          | 15,988   | 2,872                                     | 18,860          |
| <b>Transactions with owners recorded directly in equity</b>                              |   |   |  |                                |  |   |                 |
| Dividends to equity holders (note 31)  | -                                       | -   | -  | (4,360)                        | (4,360)  | (705)                                     | (5,065)         |
| <b>Change in ownership interest</b>  |   |   |  |                                |  |   |                 |
| Acquisition of non-controlling interest without a change in control                      | -                                       | -   | -  | -                              | -  | 3,244                                     | 3,244           |
| Acquisition of subsidiary with non-controlling interest [note 9(c)]                      | -                                       | -   | -  | (68)                           | (68)   | (82)                                      | (150)           |
| <b>Restated balances at March 31, 2017</b>   | 69,248                                  | (4,297)   | (7,564)  | 14,149                         | 71,536   | 18,321                                    | 89,857          |
| <b>Total comprehensive income for the year</b>   |   |   |  |                                |  |   |                 |
| Profit for the year  | -                                       | -   | -  | 5,682                          | 5,682  | 3,825                                     | 9,507           |
| Other comprehensive loss for the year  |   |   |  |                                |  |   |                 |
| Foreign exchange differences on translation of foreign subsidiary's financial statements | -                                       | -   | 689  | -                              | 689  | -   | 689             |
| Realised gain on available-for-sale securities   | -                                       | 3,052   | -  | -                              | 3,052  | -   | 3,052           |
| Unrealised losses on fair value of available-for-sale securities                         | -                                       | (6,854)   | -  | -                              | (6,854)  | -   | (6,854)         |
| Deferred tax credit on fair value adjustments  | -                                       | (95)  | -  | -                              | (95)   | -   | (95)            |
| Other comprehensive loss for year, net of tax  | -                                       | (3,897)   | 689  | -                              | (3,208)  | -   | (3,208)         |
| <b>Total comprehensive income for the year</b>   | -                                       | (3,897)   | 689  | 5,682                          | 2,474  | 3,825                                     | 6,299           |
| <b>Transactions with owners recorded directly in equity</b>                              |   |   |  |                                |  |   |                 |
| Issue of ordinary shares (note 20)   | 17,468                                  | -   | -  | -                              | 17,468   | -   | 17,468          |
| Dividends to equity holders (note 31)  | -                                       | -   | -  | (6,383)                        | (6,383)  | (1,364)                                   | (7,747)         |
| <b>Change in ownership interest</b>  |   |   |  |                                |  |   |                 |
| Acquisition of non-controlling interest without change in control                        | -                                       | -   | -  | -                              | -  | 1,475                                     | 1,475           |
| <b>Balances at March 31, 2018</b>  | <b>86,716</b>                           | <b>(8,194)</b>                                  | <b>(6,875)</b>   | <b>13,448</b>                  | <b>85,095</b>  | <b>22,257</b>                             | <b>107,352</b>  |

The accompanying notes form an integral part of the financial statements.

## Group Statement of Cash Flows

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

|  | Notes   | 2018<br>\$'000  | 2017<br>\$'000<br>Restated* |
|--|---------|-----------------|-----------------------------|
| <b>Cash flows (used in)/from operating activities</b>  |         |                 |                             |
| Profit for the year  |         | 9,507           | 11,722                      |
| Adjustments for:   |         |                 |                             |
| Amortisation   | 11      | 1,336           | 1,139                       |
| Depreciation   | 12      | 323             | 204                         |
| Interest income  | 24      | (28,490)        | (24,149)                    |
| Interest expense   | 24      | 8,099           | 9,646                       |
| Dividend income  |         | (807)           | (1,357)                     |
| Impairment reversal on bond  |         | -               | (921)                       |
| Impairment loss on loans   |         | 2,448           | 1,156                       |
| Gain on acquisition of subsidiary  | 9(a),26 | (48)            | (8,030)                     |
| Equity-settled share based payment   |         | 199             | 3,244                       |
| Amortisation of transaction cost on issue of preference shares                                       |         | 63              | -                           |
| Unrealised foreign exchange loss/(gain)  |         | 444             | (1,902)                     |
| Income tax charge  | 28      | 2,154           | 697                         |
|  |         | (4,772)         | (8,551)                     |
| <b>Change in operating assets and liabilities</b>  |         |                 |                             |
| Investment securities  |         | (10,628)        | 39,582                      |
| Loans receivable   |         | (5,062)         | (9,139)                     |
| Other assets   |         | 3,705           | 3,685                       |
| Other liabilities  |         | (9,390)         | 98                          |
| Due to customers   |         | (29,226)        | (7,946)                     |
| Due to other banks   |         | (28)            | (1)                         |
| Repurchase agreements  |         | (49,290)        | (16,831)                    |
| Resale agreements  |         | 14,125          | 269                         |
| Inventory  |         | -               | 643                         |
| Owed to related party  |         | (851)           | 1,287                       |
|  |         | (91,417)        | 3,096                       |
| Interest received  |         | 26,009          | 20,120                      |
| Dividend received  |         | 807             | 1,357                       |
| Interest paid  |         | (7,458)         | (8,805)                     |
| Income tax recovered/(paid)  |         | (2,405)         | 112                         |
| <b>Net cash (used in)/from operating activities</b>  |         | <b>(74,464)</b> | <b>15,880</b>               |
| <b>Cash flows (used in)/from investing activities</b>  |         |                 |                             |
| Acquisition of subsidiaries, net of cash acquired  |         | (644)           | 118,955                     |
| Acquisition of additional shares in subsidiary   | 9(c)    | -               | (150)                       |
| Development in progress  |         | 194             | 10                          |
| Purchase of investment property  |         | (11,184)        | (135)                       |
| Purchase of property, plant and equipment  | 12      | (344)           | (178)                       |
| Proceeds from sale of property plant and equipment   |         | -               | -                           |
| Purchase of intangible asset   | 11      | (79)            | (72)                        |
| <b>Net cash (used in)/from investing activities</b>  |         | <b>(12,057)</b> | <b>118,430</b>              |
| <b>Net cash flows (used in)/from operating and investing activities (carried forward to page 13)</b> |         | <b>(86,521)</b> | <b>134,310</b>              |

\*See note 36

The accompanying notes form an integral part of the financial statements.



**PROVEN INVESTMENTS LIMITED**

**Group Statement of Cash Flows**

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

|  | <u>Notes</u> | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000<br>Restated* |
|--|--------------|-----------------------|------------------------------------|
| <b>Cash flows (used in)/from operating and investing activities (brought forward from page 12)</b> |              | <u>( 86,521)</u>      | <u>134,310</u>                     |
| <b>Cash flows (used in)/from financing activities</b>  |              |                       |                                    |
| Proceeds from issue of shares  | 20           | 17,468                | -                                  |
| Proceeds from issue of preference shares   | 18           | -                     | 15,976                             |
| Repayment of preference shares   | 18           | -                     | ( 7,977)                           |
| Translation adjustment in respect of foreign subsidiaries  |              | 575                   | 191                                |
| Notes payable  |              | 14,274                | 158                                |
| Dividend paid  | 31           | <u>( 7,747)</u>       | <u>( 5,065)</u>                    |
| Net cash from financing activities   |              | <u>24,570</u>         | <u>3,283</u>                       |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  |              | <u>( 61,951)</u>      | <u>137,593</u>                     |
| Cash and cash equivalents at beginning of year   |              | <u>151,314</u>        | <u>13,721</u>                      |
| <b>Cash and cash equivalents at end of year</b>  |              | <u>89,363</u>         | <u>151,314</u>                     |

\*See note 36

The accompanying notes form an integral part of the financial statements.

**PROVEN INVESTMENTS LIMITED**

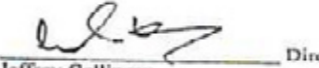
**Company Statement of Financial Position**

As at March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

|   | <u>Notes</u> | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
|---|--------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                     |              |                       |                       |
| Cash and cash equivalents                         | 3(c)(ii)     | 261                   | 320                   |
| Resale agreements                                 | 4            | 5,500                 | -                     |
| Investment securities                             | 5            | 117,487               | 112,062               |
| Loans receivable                                  | 6            | 25,030                | 18,888                |
| Other assets                                      | 7            | 2,326                 | 2,262                 |
| Owed by subsidiaries                              | 14           | 47                    | -                     |
| Income tax recoverable                            |              | 51                    | 51                    |
| Investment in subsidiaries                        | 9            | <u>56,988</u>         | <u>56,988</u>         |
| <b>Total assets</b>                               |              | <u>207,690</u>        | <u>190,571</u>        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |              |                       |                       |
| <b>Liabilities</b>                                |              |                       |                       |
| Repurchase agreements                             | 13           | 4,384                 | 14,845                |
| Owed to subsidiaries                              | 14           | 1,269                 | 737                   |
| Owed to related parties                           | 14           | 98                    | 1,094                 |
| Notes payable                                     | 15           | 101,144               | 87,315                |
| Preference shares                                 | 18           | 16,416                | 15,977                |
| Other liabilities                                 | 16           | <u>979</u>            | <u>2,100</u>          |
| <b>Total liabilities</b>                          |              | <u>124,290</u>        | <u>122,068</u>        |
| <b>Shareholders' equity</b>                       |              |                       |                       |
| Share capital                                     | 20           | 86,716                | 69,248                |
| Fair value reserve                                | 21           | ( 4,638)              | ( 3,250)              |
| Retained earnings                                 |              | <u>1,322</u>          | <u>2,505</u>          |
| <b>Total shareholders' equity</b>                 |              | <u>83,400</u>         | <u>68,503</u>         |
| <b>Total liabilities and shareholders' equity</b> |              | <u>207,690</u>        | <u>190,571</u>        |

The financial statements on pages 8 to 86 were approved for issue by the Board of Directors on May 28, 2018 and signed on its behalf by:

  
Rhory McNamara Director

  
Jeffrey Gellineau Director

The accompanying notes form an integral part of the financial statements.

**PROVEN INVESTMENTS LIMITED**

**Company Statement of Profit or Loss  
and Other Comprehensive Income**

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

|  | <u>Notes</u> | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
|--|--------------|-----------------------|-----------------------|
| <b>Net interest income and other revenue</b>           |              |                       |                       |
| Interest income  | 24           | 7,034                 | 6,980                 |
| Interest expense                                       | 24           | <u>(4,921)</u>        | <u>(4,938)</u>        |
|  |              | 2,113                 | 2,042                 |
| Dividends  |              | 7,599                 | 3,288                 |
| Net fair value adjustments and realised gains/(losses) | 25           | 414                   | ( 759)                |
| Net foreign exchange (losses)/gains                    |              | <u>( 594)</u>         | <u>1,083</u>          |
| <b>Operating revenue, net of interest expense</b>      |              | 9,532                 | 5,654                 |
| <b>Other income</b>                                    |              |                       |                       |
| Total  |              | <u>5</u>              | <u>134</u>            |
| <b>Operating expenses</b>                              |              |                       |                       |
| Staff costs  | 26           | 92                    | 2,248                 |
| Impairment losses on loans and other assets            | 6,7          | 349                   | 202                   |
| Impairment loss/(reversal) on investments              |              | 1                     | ( 921)                |
| Other operating expenses                               | 27           | <u>2,919</u>          | <u>3,854</u>          |
| Total  |              | <u>3,361</u>          | <u>5,383</u>          |
| <b>Operating profit</b>                                |              | 6,176                 | 405                   |
| Preference share dividend                              | 29(f)        | <u>( 976)</u>         | <u>(2,184)</u>        |
| <b>Profit/(loss) for the year</b>                      |              | <u>5,200</u>          | <u>(1,779)</u>        |

The accompanying notes form an integral part of the financial statements.

**PROVEN INVESTMENTS LIMITED**

**Company Statement of Profit or Loss  
and Other Comprehensive Income**

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

|  | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
|--|-----------------------|-----------------------|
| <b>Profit/(loss) for the year</b>                        | <u>5,200</u>          | <u>( 1,779)</u>       |
| <b>Other comprehensive (loss)/income</b>                 |                       |                       |
| Items that are or may be reclassified to profit or loss: |                       |                       |
| Realised gain on available-for-sale securities           | 3,254                 | 11,059                |
| Unrealised losses on available-for-sale securities       | <u>(4,642)</u>        | <u>( 3,290)</u>       |
| <b>Other comprehensive (loss)/income</b>                 | <u>(1,388)</u>        | <u>7,769</u>          |
| <b>Total comprehensive income for the year</b>           | <u>3,812</u>          | <u>5,990</u>          |

The accompanying notes form an integral part of the financial statements.

**PROVEN INVESTMENTS LIMITED**
**Company Statement of  
Changes in Equity**

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

|   | Share<br>capital<br>\$'000<br>(note 20) | Fair<br>value<br>reserve<br>\$'000<br>(note 21) | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
|---|---|---|--------------------------------|-----------------|
| <b>Balances at March 31, 2016</b>                                 | <u>69,248</u>                           | <u>(11,019)</u>                                 | <u>8,644</u>                   | <u>66,873</u>   |
| Total comprehensive income for the year                           |   |   |                                |                 |
| Loss for the year   | -                                       | -   | ( 1,779)                       | ( 1,779)        |
| Other comprehensive income for the year                           |   |   |                                |                 |
| Unrealised loss on fair value of<br>available-for-sale securities | -                                       | ( 3,290)  | -                              | ( 3,290)        |
| Realised gain in fair value of<br>available-for-sale securities   | -                                       | 11,059  | -                              | 11,059          |
| Total comprehensive income  | -                                       | 7,769   | -                              | 7,769           |
| <b>Total comprehensive income for the year</b>                    | <u>-</u>                                | <u>7,769</u>                                    | <u>( 1,779)</u>                | <u>5,990</u>    |
| <b>Transactions with owners recorded directly<br/>in equity</b>   |   |   |                                |                 |
| Dividends to equity holders (note 31)                             | -                                       | -   | ( 4,360)                       | ( 4,360)        |
| <b>Balances at March 31, 2017</b>                                 | <u>69,248</u>                           | <u>( 3,250)</u>                                 | <u>2,505</u>                   | <u>68,503</u>   |
| <b>Total comprehensive income for the year</b>                    |   |   |                                |                 |
| Profit for the year   | -                                       | -   | 5,200                          | 5,200           |
| Other comprehensive income for the year                           |   |   |                                |                 |
| Realised gains on available-for-sale<br>securities                | -                                       | 3,254   | -                              | 3,254           |
| Unrealised loss on fair<br>value of available-for-sale securities | -                                       | ( 4,642)  | -                              | ( 4,642)        |
| Total other comprehensive loss                                    | -                                       | ( 1,388)  | -                              | ( 1,388)        |
| <b>Total comprehensive income for the year</b>                    | <u>-</u>                                | <u>( 1,388)</u>                                 | <u>5,200</u>                   | <u>3,812</u>    |
| <b>Transactions with owners recorded directly<br/>in equity</b>   |   |   |                                |                 |
| Issue of ordinary shares (note 20)                                | 17,468                                  | -   | -                              | 17,468          |
| Dividends to equity holders (note 31)                             | -                                       | -   | ( 6,383)                       | ( 6,383)        |
| <b>Balances at March 31, 2018</b>                                 | <u>86,716</u>                           | <u>( 4,638)</u>                                 | <u>1,322</u>                   | <u>83,400</u>   |

The accompanying notes form an integral part of the financial statements.

**PROVEN INVESTMENTS LIMITED**
**Company Statement of Cash Flows**

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

|   | Notes | 2018<br>\$'000  | 2017<br>\$'000  |
|---|-------|-----------------|-----------------|
| <b>Cash flows (used in)/from operating activities</b>             |       |                 |                 |
| Profit/(loss) for the year  |       | 5,200           | ( 1,779)        |
| Adjustments for:  |       |                 |                 |
| Impairment reversal on bonds                                      |       | -               | ( 921)          |
| Interest income   | 24    | ( 7,034)        | ( 6,980)        |
| Interest expense  | 24    | 4,921           | 4,938           |
| Dividend income   |       | ( 7,599)        | ( 3,288)        |
| Equity-settled share-based payment                                |       | -               | 2,165           |
| Unrealised exchange loss on<br>preference shares                  |       | 375             | -               |
| Unrealised foreign exchange loss/(gain)                           |       | 594             | ( 1,083)        |
| Amortisation of transaction cost on issue of preference<br>shares |       | 63              | -               |
|   |       | ( 3,480)        | ( 6,948)        |
| Change in operating assets and liabilities                        |       |                 |                 |
| Investment securities   |       | ( 6,814)        | 23,499          |
| Loans receivable  |       | ( 6,142)        | (11,746)        |
| Other assets  |       | 2,067           | 1,592           |
| Owed by subsidiaries  |       | ( 47)           | -               |
| Other liabilities   |       | ( 727)          | ( 1,797)        |
| Repurchase agreements   |       | (10,461)        | ( 8,965)        |
| Resale agreements   |       | ( 5,500)        | 164             |
| Owed to subsidiaries  |       | 532             | -               |
| Owed to related party   |       | ( 995)          | 1,875           |
|   |       | (31,567)        | ( 2,326)        |
| Interest received   |       | 4,903           | 4,816           |
| Dividend received   |       | 7,599           | 3,288           |
| Interest paid   |       | ( 5,314)        | ( 5,383)        |
| Net cash (used in)/from operating activities                      |       | <u>(24,379)</u> | <u>395</u>      |
| <b>Cash flows (used in)/from investing activities</b>             |       |                 |                 |
| Proceeds from issue of preference shares                          | 18    | -               | 15,976          |
| Repayment of preference shares                                    | 18    | -               | ( 7,977)        |
| Acquisition of subsidiaries, net of cash acquired                 |       | -               | (12,600)        |
| Acquisition of additional shares in subsidiaries                  | 9(c)  | -               | ( 150)          |
| Disposal of investment property                                   |       | -               | 5,623           |
| Net cash (used in)/from investing activities                      |       | <u>-</u>        | <u>872</u>      |
| <b>Cash flows (used in)/from financing activities</b>             |       |                 |                 |
| Proceeds of issue of shares                                       | 20    | 17,468          | -               |
| Notes payable   |       | 13,235          | 1,788           |
| Dividend paid   | 31    | ( 6,383)        | ( 4,360)        |
| Net cash from/(used in) financing activities                      |       | <u>24,320</u>   | <u>( 2,572)</u> |
| <b>Net decrease in cash and cash equivalents</b>                  |       | <u>( 59)</u>    | <u>( 1,305)</u> |
| Cash and cash equivalents at beginning of year                    |       | <u>320</u>      | <u>1,625</u>    |
| <b>Cash and cash equivalents at end of year</b>                   |       | <u>261</u>      | <u>320</u>      |

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

Year ended March 31, 2018  
(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’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.

The Company has the following subsidiaries:

| Subsidiaries  | Country of incorporation | Nature of Business   | Percentage ownership |       |
|---|--------------------------|--|----------------------|-------|
|   |                          |  | 2018                 | 2017  |
| Boslil Bank Limited                                       | Saint Lucia              | Private Banking  | 75                   | 82.82 |
|   |                          | Fund management, investment advisory services, and money market and equity trading | 100                  | 100   |
| Proven Wealth Limited Asset Management Company Limited    | Jamaica                  | Hire purchase financing Pension fund management                                    | 100                  | 100   |
|   |                          |  | 100                  | 100   |
| Proven Fund Managers Limited                              | Jamaica                  |  | 100                  | 100   |
| Real Properties Limited and its wholly-owned subsidiaries | 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                  | -     |
| Real 53 NPW Limited                                       | Saint Lucia              | Real estate investment   | 100                  | -     |
| Proven Reit Limited                                       | Jamaica                  | Management services  | 100                  | 100   |
| Access Financial Services Limited                         | Jamaica                  | Retail lending   | 49.72                | 49.72 |

2. Basis of preparation

(a) Statement of compliance

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

Certain new and amended standards came into effect during the year. None of them had any significant effect on the amount and disclosures in the financial statements.

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

Certain new and amended standards and interpretations have been issued which are not yet effective for the current year and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following are likely to have an effect on its financial statements:

- (i) The Group is required to adopt IFRS 9, *Financial Instruments* from April 1, 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its preliminary assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for accounts receivable, loans, investments in debt securities and securities purchased under resale agreements. However, the Group is still in the process of its assessment and the final impact is not yet known.

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

# Notes to the Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

## 2. Basis of preparation (continued)

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

#### (i) IFRS 9, *Financial Instruments* (continued)

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the Group is still in the process of determining the likely financial impact on its financial statements. IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and control changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at April 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets as measured at FVTPL.
  - The designation of certain investments in equity investments not held for trading as at FVOCI.

#### (ii) The Group is required to adopt IFRS 15, *Revenue from Contracts with Customers* from April 1, 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18, *Revenue*, IAS 11, *Construction Contracts* and IFRIC 13, *Customer Loyalty Programmes*.

The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

## 2. Basis of preparation (continued)

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

#### (ii) IFRS 15, *Revenue from Contracts with Customers* (continued)

Management has assessed that the main impact of this standard is in respect of fees and commission income. The Group earns fees and commission income on provision of asset management, advisory and pension management services. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fee and commission income. However, management has not yet completed its assessment and the financial impact has not yet been determined.

#### (iii) IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessees will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

The Group is assessing the impact that the standards will have on its 2020 financial statements.

#### (iv) Amendments to IAS 40, *Transfers of Investment Property*, effective for annual reporting periods beginning on or after January 1, 2018, clarifies when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use.

The entity has a choice on transition to apply the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or apply the amendments retrospectively in accordance with IAS 8, but only if it does not involve the use of hindsight.

The Group is assessing the impact that the amendment will have on its 2019 financial statements.

# Notes to the Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

## 2. Basis of preparation (continued)

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

(v) *Improvements to IFRSs 2014-2016* contain amendments to certain standards applicable to the Group as follows:

- IAS 28, *Investments in Associates and Joint Ventures*, effective retrospectively for annual reporting periods beginning on or after January 1, 2018, has been amended to clarify or state the following:

(i) A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

(ii) A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

The Group is assessing the impact that the amendment will have on its 2019 financial statements.

(vi) IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Group is assessing the impact that the interpretation will have on its 2019 financial statements.

(vii) IFRIC 23, *Uncertainty over income tax treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting treatment for income tax treatments that are yet to be accepted by tax authorities, whilst aiming to enhance transparency.

## 2. Basis of preparation (continued)

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

(vii) IFRIC 23, *Uncertainty over income tax treatments* (continued)

IFRIC 23 is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that is used or plans to use in its income tax filing. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

IFRIC 23 does not add any new disclosure requirements. However, it highlights that an entity shall determine whether it should disclose judgements made in the process of applying its accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, in accordance with paragraph 122 of IAS 1, *Presentation of Financial Statements*.

IFRIC 23 requires that when it is probable that a taxation authority will accept an uncertain tax treatment, paragraph 88 of IAS 12 should be applied to determine the disclosure of a tax-related contingency. If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding:

- judgements made in the process of applying accounting policies to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- assumptions and other estimates used; and
- potential impact of uncertainties that are not reflected in the financial statements.

The Group is assessing the impact that the interpretation will have on its 2020 financial statements.

### (b) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the inclusion at fair value of available-for-sale securities, financial assets at fair value through profit or loss and investment property.

# Notes to the Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

## 2. Basis of preparation (continued)

### (c) Functional and presentation currency

The financial statements are presented in United States dollars (US\$), which is the functional currency of the Company, rounded to the nearest thousand, unless otherwise indicated. The financial statements of those subsidiaries which have the Jamaica dollar as their functional currency, are translated into US\$ in the manner set out in note 3(h).

### (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.

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

- Allowance for impairment losses

In determining amounts, if any, to be recorded for impairment of financial assets, management makes assumptions in assessing whether certain facts and circumstances, such as repayment default and adverse economic conditions, are indicators that there may be a measurable decrease in the estimated future cash flows from outstanding balances. Management also makes estimates of the likely estimated future cash flows from balances determined to be impaired, as well as the timing of such cash flows.

In determining the total allowance for impairment, management evaluates financial assets individually for impairment, based on management's best estimate of the present value of the cash flows that are expected to be received from the counterparties. In estimating these cash flows, management makes assumptions about a counterparty's financial situation and the net realisable value of any collateral.

## 2. Basis of preparation (continued)

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

#### (i) Key sources of estimation uncertainty

- Fair value of financial instruments

There are no quoted market prices for a significant portion of the Group's financial assets and liabilities. Accordingly, fair values of several financial 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 35).

- Impairment of goodwill and other intangible assets

Impairment of goodwill and other intangibles is dependent upon management's internal assessment of future cash flows from the intangibles and cash-generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of cash generating units in respect of goodwill. The estimate of the amount recoverable from future use of those units is sensitive to the discount rates used (note 11).

#### (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 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 'loans and receivables' (note 5) or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy (note 35) requires judgement as to whether a market is active.
- In determining whether the Group has control over an investee and should therefore consolidate that investee, management considers the percentage of the investee's share capital that it holds and makes judgements about other relevant factors affecting control (see note 9).

# Notes to the Financial Statements

Year ended March 31, 2018

(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 as at the acquisition date, which is 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 immediately 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 Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over 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.

### 3. Significant accounting policies (continued)

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

##### (iv) Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interest in associates and joint ventures are 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 or joint control 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 the subsidiary, 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 companies 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 associate and joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### (i) Classification of financial instruments

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.



# Notes to the Financial Statements

Year ended March 31, 2018

(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 instruments (continued)

The Group classifies non-derivative financial assets into the following categories. Management determines the appropriate classification of investments at the time of purchase, taking account of the purpose for which the investments were purchased.

*Loans and receivables:* This comprises securities acquired or loans granted with fixed or determinable payments and which are not quoted in an active market.

*Fair value through profit or loss:* This comprises securities that the Group acquires for the purpose of selling or repurchasing in the near term, or that it holds as part of a portfolio that is managed together for short-term profit or position taking, or that it designates as such at the time of acquisition.

*Available-for-sale:* The Group's financial instruments included in this classification are securities with prices quoted in an active market or for which the fair values are otherwise determinable, and which are designated as such upon acquisition or not classified in any of the other categories.

The Group classifies non-derivative financial liabilities into the "other financial liabilities" category.

#### (i) 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.

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

## 3. Significant accounting policies (continued)

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

#### (ii) Measurement and gains and losses - Non-derivative financial assets

*Loans and receivables:* On initial recognition these are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Where securities classified as loans and receivables become quoted in an active market, such securities will not be reclassified as available-for-sale securities. An active market is one where quoted prices are readily and regularly available from an exchange, dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

*Financial assets at fair value through profit or loss:* On initial recognition these are measured at fair value, with directly attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value and changes therein, as well as any interest or dividend income, are recognised in profit or loss.

*Available-for-sale:* On initial recognition, these are measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, with unrealised gains and losses arising from changes in fair value treated as follows:

- Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income.
- When securities classified as available-for-sale are sold or impaired, the fair value adjustments accumulated in other comprehensive income are reclassified to profit or loss.

#### (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 risk.

# Notes to the Financial Statements

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

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

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

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.

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

Cash comprises cash in hand and demand 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) Other liabilities

Other liabilities are measured at amortised cost.

##### (v) Resale and repurchase agreements

Resale agreements are accounted for as short-term collateralised lending, and are classified as loans and receivables. 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.

### 3. Significant accounting policies (continued)

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

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

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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.

##### (vi) Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. In the case of its preference share capital, it is classified as:

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

The Group’s preference shares bear contractual entitlements to dividends that are cumulative, and not at the discretion of the directors. Accordingly, they are classified as financial liabilities.

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

##### (vii) 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).

##### (viii) Accounts payable

Accounts payable are measured at amortised cost.

# Notes to the Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

3. Significant accounting policies (continued)

(b) Financial instruments – Other (continued)

(ix) Interest-bearing borrowings

Interest-bearing borrowings, other than repos, which are described in [note 3(c)(v)], 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.

(x) 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 it intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(xi) 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) 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 and can be allocated to the project.

(e) Investment properties

Investment properties, comprising principally land and buildings, are held for long-term rental yields and capital appreciation and are treated as long-term investments. They are measured initially at cost, including related transaction costs and are 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, any cash outflows that could be expected 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.

3. Significant accounting policies (continued)

(e) Investment properties (continued)

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.

(f) Property, plant and equipment

(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 the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item 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:

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

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

(g) Intangible assets

(i) 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 name, licences and goodwill that have indefinite useful lives are carried 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 Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

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

##### (ii) 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.

##### (iii) 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.

##### (iv) Amortisation

Except for goodwill, trade name and license, intangible assets are amortised on a 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.

##### (v) Impairment of assets

The carrying amounts of the Group's assets 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.

### 3. Significant accounting policies (continued)

#### (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 the profit or loss. These rates represent the weighted average rates at which the Group trades in foreign currency.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale 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 available-for-sale financial assets, are recognised in other comprehensive income and presented in the fair value reserve in stockholders' equity.

##### (ii) Foreign operations

The assets and liabilities of foreign operations are translated into US\$ at the spot exchange rate at the reporting date. The income and expenses of the foreign operations are translated into US\$ 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.

##### (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.

# Notes to the Financial Statements

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

(i) Income tax (continued)

(ii) Deferred income tax (continued)

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

The carrying amounts of the Group's 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 its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised in profit or loss.

Loans and advances that have been assessed individually and found not to be impaired are assessed collectively in groups of assets with similar risk characteristics to determine whether provisions should be made due to incurred loss events which are not yet evident. The collective assessment takes account of data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, concentrations of risks and economic data country risk and the performance of different groups.

(1) Calculation of recoverable amount

The recoverable amount of the Group's investment securities classified as loans and receivables and other receivables such as loans and advances is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

- (a) The calculation of the present value of the estimate future cash flows of a collateralised financial asset reflects the expected cash flows from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.
- (b) When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amount previously written off decrease the amount of the loan impairment charge in profit or loss.

### 3. Significant accounting policies (continued)

(j) Impairment (continued)

(1) Calculation of recoverable amount (continued)

(b) (Continued)

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(2) Reversals of impairment

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss, but through other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reverse in profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Investment in subsidiaries

Investment in subsidiaries is measured in the separate financial statements of the Company at cost, less impairment losses, if any.

(l) 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 recognised in profit or loss for all interest-earning instruments, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to its carrying amount. The effective interest rate is established on initial recognition of the financial asset and is not revised subsequently. Interest income includes coupons earned on fixed income investments, accretion of discount on treasury bills and other discounted instruments, and amortisation of premium on instruments bought at a premium.

# Notes to the Financial Statements

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

### 3. Significant accounting policies (continued)

#### (l) Revenue recognition (continued)

##### (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) 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.

#### (m) 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.

#### (n) 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, National Insurance Scheme 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

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

### 3. Significant accounting policies (continued)

#### (n) Employee benefits (continued):

##### (i) General benefits (continued)

Post-employment benefits are accounted for as described in (ii) below. 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.

##### (ii) Share-based payment transaction

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 a specified dates at a specified prices.

Resale agreements result in credit exposure, in that 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 \$29,726,745 (2017: \$40,403,442) for the Group and \$5,730,871 (2017: \$Nil) for the Company.

### 5. Investment securities

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| <b>Financial assets at fair value through profit or loss</b> |                |                |                |                |
| Quoted equities  | 64             | 98             | -              | -              |
| Credit linked notes  | 1,998          | 1,941          | 1,998          | 1,941          |
| Foreign currency forward contracts                           | -              | 70             | -              | 70             |
|  | <u>2,062</u>   | <u>2,109</u>   | <u>1,998</u>   | <u>2,011</u>   |
| <b>Available-for-sale securities</b>                         |                |                |                |                |
| Global bonds   | 210,510        | 152,421        | 20,948         | 24,511         |
| Government of Jamaica securities                             | 31,757         | 63,725         | -              | -              |
| Corporate bonds  | 72,520         | 53,072         | 58,904         | 51,270         |
| Mutual funds   | 10,977         | 38,869         | 10,977         | 21,313         |
| Credit linked notes  | -              | 11,551         | -              | 11,551         |
| Certificate of deposits                                      | 21,381         | 4,523          | 21,381         | -              |
| Equities - Jamaica   | 332            | 9              | 332            | 9              |
| Global equities  | 5,215          | 3,770          | 2,947          | 1,397          |
| Commercial paper   | <u>1,043</u>   | <u>150</u>     | -              | -              |
|  | <u>353,735</u> | <u>328,090</u> | <u>115,489</u> | <u>110,051</u> |
| Subtotal (see page 41)                                       | <u>355,797</u> | <u>330,199</u> | <u>117,487</u> | <u>112,062</u> |

# Notes to the Financial Statements

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

5. Investment securities (continued)

|                                  | Group          |                | Company        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Subtotal (see page 40)           | <u>355,797</u> | <u>330,199</u> | <u>117,487</u> | <u>112,062</u> |
| <b>Loans and receivables</b>     |                |                |                |                |
| Term deposits                    | 7,423          | 29,148         | -              | -              |
| Global bonds                     | 5,865          | 1,785          | -              | -              |
| Government of Jamaica securities | -              | 1,127          | -              | -              |
|                                  | <u>13,288</u>  | <u>32,060</u>  | <u>-</u>       | <u>-</u>       |
|                                  | <u>369,085</u> | <u>362,259</u> | <u>117,487</u> | <u>112,062</u> |

As at March 31, 2018, \$293,309,000 (2017: \$231,158,000) of investment securities is expected to be recovered more than 12 months after the reporting date.

6. Loans receivable

|   | Group           |                 | Company        |                |
|---|-----------------|-----------------|----------------|----------------|
|   | 2018<br>\$'000  | 2017<br>\$'000  | 2018<br>\$'000 | 2017<br>\$'000 |
| Loans and advances to customers         | 41,376          | 29,462          | -              | -              |
| Margin loans [see (a) below]            | 1,683           | 3,912           | -              | -              |
| Corporate notes                         | <u>6,647</u>    | <u>9,641</u>    | <u>25,347</u>  | <u>18,888</u>  |
|   | 49,706          | 43,015          | 25,347         | 18,888         |
| Less allowance for impairment [see (c)] | <u>( 5,803)</u> | <u>( 3,594)</u> | <u>( 317)</u>  | <u>-</u>       |
|   | <u>43,903</u>   | <u>39,421</u>   | <u>25,030</u>  | <u>18,888</u>  |

(a) 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 (see note 15).

At the reporting date, the fair value of the collateral pledged by the clients and re-pledged by the Group was \$7,566,000 (2017: \$2,357,000).

(b) Loans receivable, net of allowance for impairment, are due, from the reporting date, as follows:

|                                 | Group                        |                          |                        |                           |                 |
|---------------------------------|------------------------------|--------------------------|------------------------|---------------------------|-----------------|
|                                 | Within<br>3 months<br>\$'000 | 3-12<br>months<br>\$'000 | 1-5<br>years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|                                 | 2018                         |                          |                        |                           |                 |
| Margin loans                    | 152                          | 1,534                    | -                      | -                         | 1,686           |
| Corporate notes                 | 1,150                        | 1,501                    | -                      | 3,678                     | 6,329           |
| Loans and advances to customers | <u>3,874</u>                 | <u>9,264</u>             | <u>22,750</u>          | <u>-</u>                  | <u>35,888</u>   |
|                                 | <u>5,176</u>                 | <u>12,299</u>            | <u>22,750</u>          | <u>3,678</u>              | <u>43,903</u>   |

6. Loans receivable (continued)

(b) Loans receivable, net of allowance for impairment, are due, from the reporting date, as follows:

|                                 | Group                        |                          |                        |                           |                 |
|---------------------------------|------------------------------|--------------------------|------------------------|---------------------------|-----------------|
|                                 | Within<br>3 months<br>\$'000 | 3-12<br>months<br>\$'000 | 1-5<br>years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|                                 | 2017                         |                          |                        |                           |                 |
| Margin loans                    | 2,823                        | 1,089                    | -                      | -                         | 3,912           |
| Hire purchase loans             | 3,487                        | 7,989                    | 9,100                  | -                         | 20,576          |
| Corporate notes                 | -                            | 9,352                    | -                      | 289                       | 9,641           |
| Loans and advances to customers | <u>-</u>                     | <u>5,292</u>             | <u>-</u>               | <u>-</u>                  | <u>5,292</u>    |
|                                 | <u>6,310</u>                 | <u>23,722</u>            | <u>9,100</u>           | <u>289</u>                | <u>39,421</u>   |

|                 | Company                      |                          |                        |                           |                 |
|-----------------|------------------------------|--------------------------|------------------------|---------------------------|-----------------|
|                 | Within<br>3 months<br>\$'000 | 3-12<br>months<br>\$'000 | 1-5<br>years<br>\$'000 | Over<br>5 years<br>\$'000 | Total<br>\$'000 |
|                 | 2018                         |                          |                        |                           |                 |
| Corporate notes | <u>1,420</u>                 | <u>8,426</u>             | <u>11,505</u>          | <u>3,679</u>              | <u>25,030</u>   |
|                 | 2017                         |                          |                        |                           |                 |
| Corporate notes | <u>-</u>                     | <u>10,291</u>            | <u>8,308</u>           | <u>289</u>                | <u>18,888</u>   |

(c) Impairment losses

(i) The aging of loans receivable is as follows:

|   | Group           |  |                 |  |
|---|-----------------|--|-----------------|--|
|   | 2018            |  | 2017            |  |
|   | Gross<br>\$'000 | Allowance<br>for<br>impairment<br>\$'000 | Gross<br>\$'000 | Allowance<br>for<br>impairment<br>\$'000 |
| Not past due and not impaired               | 41,947          | -  | 38,971          | -  |
| Less than 90 days past due and not impaired | 2,776           | 892                                      | 1,924           | 1,741                                    |
| More than 90 days past due and impaired     | <u>4,983</u>    | <u>4,911</u>                             | <u>2,120</u>    | <u>1,853</u>                             |
|   | <u>49,706</u>   | <u>5,803</u>                             | <u>43,015</u>   | <u>3,594</u>                             |

# Notes to the Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

6. Loans receivable (continued)

(c) Impairment losses (continued)

(ii) The movement on the impairment allowance is as follows:

|                                      | Group          |                |
|--------------------------------------|----------------|----------------|
|                                      | 2018<br>\$'000 | 2017<br>\$'000 |
| Balance at the beginning of the year | 3,594          | 2,702          |
| Impairment losses recognised         | 2,241          | 1,009          |
| Effect of exchange rate movements    | ( 32)          | ( 117)         |
| Balance at the end of the year       | <u>5,803</u>   | <u>3,594</u>   |

7. Other assets

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Withholding tax recoverable             | 3,185          | 3,518          | -              | -              |
| Interest receivable                     | 2,481          | 4,029          | 2,132          | 2,212          |
| Other [see (a)]                         | <u>4,794</u>   | <u>4,132</u>   | <u>194</u>     | <u>50</u>      |
|   | 10,460         | 11,679         | 2,326          | 2,262          |
| Less allowance for impairment [see (b)] | ( 110)         | ( 108)         | -              | -              |
|   | <u>10,350</u>  | <u>11,571</u>  | <u>2,326</u>   | <u>2,262</u>   |

(a) Included in this amount is \$972,000 (2017: \$1,653,000) expended by the Group on planning for the development of property.

(b) The movement in allowance for impairment is as follows:

|                                   | Group          |                | Company        |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Balance at beginning of year      | 108            | 507            | -              | 1              |
| Write-offs                        | -              | (288)          | -              | ( 1)           |
| Effect of exchange rate movements | <u>2</u>       | <u>(111)</u>   | <u>-</u>       | <u>-</u>       |
| Balance at end of year            | <u>110</u>     | <u>108</u>     | <u>-</u>       | <u>-</u>       |

During the year trade receivables of \$32,000 (2017: \$147,000) for the Group and \$32,000 (2017: \$202,000) for the Company were recognised directly in profit or loss.

8. Property development in progress

In the prior year, the Group participated with another party in a joint operation to develop and sell property comprising residential apartment units. Under the terms of the agreement dated March 28, 2014, the Group contributed land and undertook certain other activities. The Group and the other joint operator share equally in the net profits of the development. An amount of \$297,000 represents the Group's contribution to the joint operation less the other party's interest therein; the other party, in return for its interest in the transferred property, is obligated to contribute certain expertise, services and other things. The value to the Group of this obligation is included in other assets. (Note 7).

|                                   | Group          |                |
|-----------------------------------|----------------|----------------|
|                                   | 2018<br>\$'000 | 2017<br>\$'000 |
| At beginning of year              | 200            | 210            |
| Transfer to other assets          | (200)          | -              |
| Effect of exchange rate movements | <u>-</u>       | <u>( 10)</u>   |
| At end of year                    | <u>-</u>       | <u>200</u>     |

9. Investment in subsidiaries

|  | Company        |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| Ordinary shares at cost:   |                |                |
| Proven Wealth Limited  | 16,567         | 16,567         |
| Real Properties Limited (formerly Proven REIT Limited [see (c) below]) | 641            | 641            |
| Asset Management Company Limited                                       | 412            | 412            |
| Boslil Bank Limited [see (a) below]                                    | 10,435         | 10,435         |
| Proven Fund Managers Limited (formerly PWL Transition Limited)         | 18,176         | 18,176         |
| Access Financial Services Limited                                      | <u>10,757</u>  | <u>10,757</u>  |
|  | <u>56,988</u>  | <u>56,988</u>  |

(a) Acquisition of Boslil Bank Limited

Effective March 13, 2017, Proven Investments Limited acquired the entire issued share capital of Boslil Bank Limited (BOSLIL). The principal activities of BOSLIL are investment management and banking. The acquisition is expected to provide an enhanced level of income, above-average returns, and preservation of capital for shareholders of the Company.

BOSLIL has contributed revenue of \$468,000 and attributable post-acquisition profit of \$336,000 to the Group's results in the period to March 31, 2017. If the acquisition had occurred on April 1, 2016, management estimates that consolidated revenue from BOSLIL would have been \$3,729,000, and consolidated profit for the year would have been \$2,726,000. 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, 2016. The following summarises the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition.



# Notes to the Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

9. Investment in subsidiaries (continued)

(a) Acquisition of Boslil Bank Limited (continued)

(i) Identifiable assets acquired and liabilities assumed:

|                               | <u>2017</u><br>\$'000 |
|-------------------------------|-----------------------|
| Cash and cash equivalents     | 132,959               |
| Investments                   | 159,869               |
| Loans receivable              | 5,285                 |
| Other receivables             | 625                   |
| Intangible assets             | 2,200                 |
| Property, plant and equipment | 398                   |
| Deposits from other banks     | ( 2,211)              |
| Due to customers              | (278,001)             |
| Other liabilities             | <u>( 494)</u>         |
|                               | 20,630                |
| Consideration transferred:    |                       |
| Cash                          | <u>( 12,600)</u>      |
| Gain on acquisition           | <u>8,030</u>          |

(ii) Cash flow on acquisition

|                                      | <u>2017</u><br>\$'000 |
|--------------------------------------|-----------------------|
| Total consideration transferred      | 12,600                |
| Less: cash acquired [note (9(a)(i))] | <u>(132,959)</u>      |
| Net cash generated on acquisition    | <u>(120,359)</u>      |

(iii) Share based payment

Effective March 13, 2017, Proven Investments Limited transferred 17.18% of its shareholding in BOSLIL to the managing director and granted an option to acquire an additional 7.82% at an exercised price of \$1,277,000 within a year. The option was exercised during the year and the fair value of option recognised as share based payment [see note (26)].

(iv) The fair value of certain material asset categories was established as follows:

- 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 valuation techniques, specifically the depreciated replacement cost methodology to account for physical deterioration as well as functional and economic obsolescence.
- Intangible assets: The value of brands and trademarks was assessed through market benchmarking information provided by independent data specialists. The value of customer relationships was assessed through the multi-period excess earnings method, performed by a qualified independent valuator. The value of non-compete agreements was valued using the incremental cashflow method.

The other receivables comprise gross contractual amounts due of \$5,285,000, which was expected to be fully collectible at the date of acquisition.

9. Investment in subsidiaries (continued)

(a) Acquisition of Boslil Bank Limited (continued)

(v) Acquisition-related costs

The Group incurred acquisition-related costs of \$653,000 on legal fees and due diligence costs. These costs have been included in 'administrative expenses' in profit for the year ended March 31, 2017.

(vi) Bargain purchase

The consideration of \$12,600,000 million is less than the net assets of the business of \$20,630,000 million, thereby resulting in a gain of \$8,030,000 million, recognised in the statement of profit and loss and other comprehensive income. The reasons for the bargain purchase are as follows:

- The loss of certain correspondent banking relationships ("CBR") and the uncertainty regarding the favorable resolution of CBR issues that may have negatively impacted BOSLIL and hence the seller's negotiating position.
- The seller wanted to realise gains on its initial investment in BOSLIL, while disposing of the business as a going concern.

(b)(i) Acquisition of Micro Credit Limited

On May 27, 2017, Access Financial Services acquired the business of Micro Credit limited as a going concern comprising mainly loan portfolio, property, plant and equipment, trademark and customer relationship.

Identifiable assets acquired and liabilities assumed:

|                               | <u>2018</u><br>\$'000 |
|-------------------------------|-----------------------|
| Loans receivables             | 591                   |
| Intangible assets             | 58                    |
| Property, plant and equipment | <u>43</u>             |
|                               | 692                   |
| Consideration transferred:    |                       |
| Cash                          | <u>(644)</u>          |
| Gain on acquisition           | <u>48</u>             |

(b)(ii) Acquisition from Damark Limited

On May 27, 2016, Access Financial Services Limited acquired the business of Damark Limited. The principal activities of Damark Limited was retail lending. The acquisition is expected to provide enhanced income, above-average returns and preservation of capital for shareholders of the Group.

# Notes to the Financial Statements

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

9. Investment in subsidiaries (continued)

(b)(ii) Acquisition from Damark Limited (continued)

Identifiable assets acquired and liabilities assumed:

|                               |             |
|-------------------------------|-------------|
|                               | <u>2017</u> |
|                               | \$'000      |
| Loans receivables             | 1,160       |
| Intangible assets             | 191         |
| Property, plant and equipment | <u>17</u>   |
|                               | 1,368       |
| Consideration transferred:    |             |
| Cash                          | (1,404)     |
| Goodwill                      | <u>(36)</u> |

The loan and other receivables comprise gross contractual amounts due of \$1,160,000 which was expected to be fully recoverable at the date of acquisition.

(c) In the prior year, the Group acquired an additional 15% interest in Real Properties Limited (formerly Proven REIT Limited) for \$150,000 in cash, increasing its ownership from 85% to 100%. The carrying amount of Real Properties Limited's net assets in the Group's consolidated financial statements on the date of the acquisition was \$547,000. The Group recognised a decrease in NCI and retained earnings of \$82,000 and \$68,000 respectively.

|  |             |
|--|-------------|
|  | <u>2017</u> |
|  | \$'000      |
| Carrying amount of NCI acquired                            | 82          |
| Consideration paid to NCI                                  | (150)       |
| A decrease in equity attributable to owners of the company | <u>(68)</u> |

10. Investment property

|   | <u>Group</u>  |              | <u>Company</u> |             |
|---|---------------|--------------|----------------|-------------|
|   | <u>2018</u>   | <u>2017</u>  | <u>2018</u>    | <u>2017</u> |
|   | \$'000        | \$'000       | \$'000         | \$'000      |
| At beginning of year                    | 6,148         | 6,013        | -              | 5,623       |
| Investment property acquired            | 11,186        | 128          | -              | -           |
| Fair value adjustment                   | ( 4)          | 27           | -              | -           |
| Disposal                                | -             | -            | -              | (5,623)     |
| Foreign exchange translation adjustment | <u>18</u>     | <u>( 20)</u> | <u>-</u>       | <u>-</u>    |
|   | <u>17,348</u> | <u>6,148</u> | <u>-</u>       | <u>-</u>    |

The company's land and buildings were last revalued in April 2018 and December 2017 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 into Level 3 of the fair value hierarchy.

| Valuation technique  | Significant unobservable inputs   | Inter-relationship between key unobservable inputs and fair value measurement   |
|--|---|---|
| <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 of 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> |

# Notes to the Financial Statements

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

## 11. Intangible assets

|                                       | Group                            |                                  |                      |                    |                   |                             |                 |
|---------------------------------------|----------------------------------|----------------------------------|----------------------|--------------------|-------------------|-----------------------------|-----------------|
|                                       | Customer relationships<br>\$'000 | Non-compete agreements<br>\$'000 | Trade name<br>\$'000 | Goodwill<br>\$'000 | License<br>\$'000 | Computer software<br>\$'000 | Total<br>\$'000 |
| Cost:                                 |                                  |                                  |                      |                    |                   |                             |                 |
| March 31, 2016                        | 6,730                            | 1,570                            | 2,269                | 10,355             | 462               | 382                         | 21,768          |
| Acquired through business combination | 1,582                            | 99                               | 265                  | 36                 | -                 | 445                         | 2,427           |
| Additions                             | -                                | -                                | -                    | -                  | -                 | 72                          | 72              |
| Translation adjustment                | -                                | -                                | -                    | -                  | (23)              | (12)                        | (35)            |
| March 31, 2017                        | 8,312                            | 1,669                            | 2,534                | 10,391             | 439               | 887                         | 24,232          |
| Acquired through business combination | 46                               | -                                | 12                   | -                  | -                 | -                           | 58              |
| Additions                             | -                                | -                                | -                    | -                  | -                 | 79                          | 79              |
| Translation adjustment                | 4                                | -                                | 1                    | 1                  | 13                | 10                          | 29              |
| March 31, 2018                        | <u>8,362</u>                     | <u>1,669</u>                     | <u>2,547</u>         | <u>10,392</u>      | <u>452</u>        | <u>976</u>                  | <u>24,398</u>   |
| Amortisation:                         |                                  |                                  |                      |                    |                   |                             |                 |
| March 31, 2016                        | 1,099                            | 465                              | -                    | -                  | -                 | 351                         | 1,915           |
| Amortisation for the year             | 666                              | 434                              | -                    | -                  | -                 | 39                          | 1,139           |
| Translation adjustment                | -                                | -                                | -                    | -                  | -                 | (12)                        | (12)            |
| March 31, 2017                        | 1,765                            | 899                              | -                    | -                  | -                 | 378                         | 3,042           |
| Amortisation for the year             | 844                              | 182                              | -                    | -                  | -                 | 310                         | 1,336           |
| Translation adjustment                | (1)                              | 20                               | -                    | -                  | -                 | (13)                        | 6               |
| March 31, 2018                        | <u>2,608</u>                     | <u>1,101</u>                     | <u>-</u>             | <u>-</u>           | <u>-</u>          | <u>675</u>                  | <u>4,384</u>    |
| Net book values:                      |                                  |                                  |                      |                    |                   |                             |                 |
| March 31, 2018                        | <u>5,754</u>                     | <u>568</u>                       | <u>2,547</u>         | <u>10,392</u>      | <u>452</u>        | <u>301</u>                  | <u>20,014</u>   |
| March 31, 2017                        | <u>6,547</u>                     | <u>770</u>                       | <u>2,534</u>         | <u>10,391</u>      | <u>439</u>        | <u>509</u>                  | <u>21,190</u>   |
| March 31, 2016                        | <u>5,631</u>                     | <u>1,105</u>                     | <u>2,269</u>         | <u>10,355</u>      | <u>462</u>        | <u>31</u>                   | <u>19,853</u>   |

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 immediately following year, within 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:

The fair value of the Access Financial Services Limited's trade name was calculated using the relief from royalty method and compared the fair value to the carrying value of the trade name as at March 31, 2018.

|   | 2018  | 2017  |
|---|-------|-------|
| Retail lending cash generating units (CGUs) |       |       |
| Discount rate                               | 29.5% | 24.6% |
| Growth rate                                 | 6.0%  | 6.0%  |

## 12. Property, plant and equipment

|                                       | Group                            |   |                          |                              |                            |                    |                 |
|---------------------------------------|----------------------------------|---|--------------------------|------------------------------|----------------------------|--------------------|-----------------|
|                                       | Leasehold improvements<br>\$'000 | Furniture, fixtures and equipment<br>\$'000 | Motor vehicles<br>\$'000 | Computer equipment<br>\$'000 | Work in progress<br>\$'000 | Art-work<br>\$'000 | Total<br>\$'000 |
| Cost:                                 |                                  |   |                          |                              |                            |                    |                 |
| March 31, 2016                        | 480                              | 868   | 302                      | 1,105                        | 22                         | 5                  | 2,782           |
| Acquired through business combination | 23                               | 160   | 30                       | 202                          | -                          | -                  | 415             |
| Additions                             | 48                               | 65  | -                        | 65                           | -                          | -                  | 178             |
| Transfers                             | 20                               | -   | -                        | -                            | (20)                       | -                  | -               |
| Disposals                             | -                                | -   | (163)                    | -                            | -                          | -                  | (163)           |
| Translation adjustment                | (10)                             | (17)  | (16)                     | (117)                        | (2)                        | -                  | (162)           |
| March 31, 2017                        | 561                              | 1,076                                       | 153                      | 1,255                        | -                          | 5                  | 3,050           |
| Acquired through business combination | -                                | 43  | -                        | -                            | -                          | -                  | 43              |
| Additions                             | 50                               | 137   | 110                      | 47                           | -                          | -                  | 344             |
| Disposals                             | -                                | -   | (59)                     | -                            | -                          | -                  | (59)            |
| Translation adjustment                | 12                               | 14  | 12                       | (42)                         | -                          | -                  | (4)             |
| March 31, 2018                        | <u>623</u>                       | <u>1,270</u>                                | <u>216</u>               | <u>1,260</u>                 | <u>-</u>                   | <u>5</u>           | <u>3,374</u>    |
| Depreciation:                         |                                  |   |                          |                              |                            |                    |                 |
| March 31, 2016                        | 225                              | 665   | 302                      | 993                          | -                          | -                  | 2,185           |
| Charge for the year                   | 63                               | 60  | 2                        | 79                           | -                          | -                  | 204             |
| Disposals                             | -                                | -   | (163)                    | -                            | -                          | -                  | (163)           |
| Translation adjustment                | (21)                             | (8)   | (24)                     | (88)                         | -                          | -                  | (141)           |
| March 31, 2017                        | 267                              | 717   | 117                      | 984                          | -                          | -                  | 2,085           |
| Charge for the year                   | 104                              | 77  | 34                       | 108                          | -                          | -                  | 323             |
| Disposals                             | -                                | -   | (59)                     | -                            | -                          | -                  | (59)            |
| Translation adjustment                | (3)                              | (7)   | (4)                      | -                            | -                          | -                  | (14)            |
| March 31, 2018                        | <u>368</u>                       | <u>787</u>                                  | <u>88</u>                | <u>1,092</u>                 | <u>-</u>                   | <u>-</u>           | <u>2,335</u>    |
| Net book values:                      |                                  |   |                          |                              |                            |                    |                 |
| March 31, 2018                        | <u>255</u>                       | <u>483</u>                                  | <u>128</u>               | <u>168</u>                   | <u>-</u>                   | <u>5</u>           | <u>1,039</u>    |
| March 31, 2017                        | <u>294</u>                       | <u>359</u>                                  | <u>36</u>                | <u>271</u>                   | <u>-</u>                   | <u>5</u>           | <u>965</u>      |
| March 31, 2016                        | <u>255</u>                       | <u>203</u>                                  | <u>-</u>                 | <u>112</u>                   | <u>22</u>                  | <u>5</u>           | <u>597</u>      |

## 13. Repurchase agreements

The Group and Company sells Government and corporate securities and agrees to repurchase them on specified dates and at specified prices.

|                                      | Group          |                | Company        |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Denominated in Jamaica dollars       | 28,868         | 50,470         | 2,730          | -              |
| Denominated in United States dollars | <u>64,841</u>  | <u>92,529</u>  | <u>1,654</u>   | <u>14,845</u>  |
|                                      | <u>93,709</u>  | <u>142,999</u> | <u>4,384</u>   | <u>14,845</u>  |

# Notes to the Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

14. Owed by/(to) related parties

|  | Group       |               | Company      |                |
|--|-------------|---------------|--------------|----------------|
|  | <u>2018</u> | <u>2017</u>   | <u>2018</u>  | <u>2017</u>    |
|  | \$'000      | \$'000        | \$'000       | \$'000         |
| Owed by/(to) other related parties     |             |               |              |                |
| Current accounts                       | (85)        | 102           | ( 85)        | ( 43)          |
| Dividend payable [See 18(a)]           | (13)        | (1,051)       | ( 13)        | (1,051)        |
|  | <u>(98)</u> | <u>( 949)</u> | <u>( 98)</u> | <u>(1,094)</u> |
| Owed by subsidiaries - current account | -           | -             | 47           | -              |
| Owed to subsidiaries - current account | -           | -             | (1,269)      | ( 737)         |

Current accounts represent accrued management fees and amounts payable to Proven Management Limited.

15. Notes payable

|                                  | Group          |               | Company        |               |
|----------------------------------|----------------|---------------|----------------|---------------|
|                                  | <u>2018</u>    | <u>2017</u>   | <u>2018</u>    | <u>2017</u>   |
|                                  | \$'000         | \$'000        | \$'000         | \$'000        |
| Structured notes [See (i)]       | 59,577         | 64,400        | 59,577         | 64,400        |
| Equity-linked notes [See (ii)]   | -              | 1,699         | -              | 1,699         |
| Margin loans payable [See (iii)] | 41,567         | 14,075        | 41,567         | 18,962        |
| Other                            | 9,817          | 14,259        | -              | -             |
| Short-term loan [See (iv)]       | -              | 2,254         | -              | 2,254         |
|                                  | <u>110,961</u> | <u>96,687</u> | <u>101,144</u> | <u>87,315</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) Equity-linked notes are medium-term debt instruments issued by the Group, which pay a return that is linked to the performance of the underlying securities.

(iii) 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)].

15. Notes payable (continued)

(iv) This was a short term revolving facility granted by First Global Bank Limited on September 28, 2015. The facility was set to revolve at least once annually. Each draw down under the revolving line was to be fully repaid within twelve (12) months. Interest rates were initially set to 8.9% per annum and re-priced thereafter at six months Weighted Average Treasury Bill Yield, plus a margin of 255 basis point. The facility was repaid during the year.

16. Other liabilities

|                   | Group        |               | Company     |              |
|-------------------|--------------|---------------|-------------|--------------|
|                   | <u>2018</u>  | <u>2017</u>   | <u>2018</u> | <u>2017</u>  |
|                   | \$'000       | \$'000        | \$'000      | \$'000       |
| Interest payable  | 641          | 841           | 393         | 444          |
| Payable to client | 342          | 6,854         | -           | -            |
| Statutory         | 24           | 17            | -           | -            |
| Accrued charges   | 295          | 976           | 131         | 138          |
| Other             | <u>2,918</u> | <u>4,155</u>  | <u>455</u>  | <u>1,518</u> |
|                   | <u>4,220</u> | <u>12,843</u> | <u>979</u>  | <u>2,100</u> |

17. Due to customers

|                               | Group          |                |
|-------------------------------|----------------|----------------|
|                               | <u>2018</u>    | <u>2017</u>    |
|                               | \$'000         | \$'000         |
| Time deposits                 | 15,983         | 14,701         |
| Interest bearing accounts     | 7,228          | 6,679          |
| Non-interest bearing accounts | 217,618        | 248,153        |
| Sweep accounts                | -              | 522            |
|                               | <u>240,829</u> | <u>270,055</u> |

18. Preference shares

|  | J\$'000          | Group and Company |               |
|--|------------------|-------------------|---------------|
|  |                  | <u>2018</u>       | <u>2017</u>   |
|  | \$'000           | \$'000            | \$'000        |
| Managers' preference shares [See (a)]                              |                  | <u>1</u>          | <u>1</u>      |
| 8.25% Cumulative redeemable preference shares [See (b) at note 20] |                  |                   |               |
| At beginning of year   | 2,097,967        | 15,977            | 7,977         |
| Repayment  | -                | -                 | ( 7,977)      |
| Issued during the year   | -                | -                 | 15,976        |
| Amortisation of transaction costs                                  | -                | 63                | -             |
| Effect of exchange rate fluctuation                                | -                | 375               | -             |
| At end of year   | <u>2,097,967</u> | <u>16,415</u>     | <u>15,976</u> |
|  |                  | <u>16,416</u>     | <u>15,977</u> |

# Notes to the Financial Statements

Year ended March 31, 2018  
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18. Preference shares (continued)

(a) The terms and conditions of the manager's preference shares include the following:

- (i) the manager's preference shares shall rank *pari passu* as between and among themselves;
  - (ii) 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 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 equity of the Company during such financial year.
  - (iii) 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 shares.
  - (iv) Each manager's preference share has votes attaching to it that are a multiple of the votes attaching to each ordinary share 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 shares, 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.
- (b) The terms and conditions of the 8.25% Cumulative redeemable preference shares include the following:
- (i) The right to a preferential dividend at the agreed annual rate, payable out of the profits of the Company, calculated on the capital paid up on the preference stock units, and any dividend not paid shall accumulate until paid;
  - (ii) The right to preferential repayment of paid-up preference capital, and any arrears of preference dividend upon the winding up or the Company or other return of capital;
  - (iii) No right to vote at any general meeting of the Company except where the dividend on the preference stock units are past due more than twelve months, and/or the notice for the redemption of preference stock units is past due and/or a resolution to wind up the company has been passed;
  - (iv) The Company may redeem all or any of the preference stock units on or before December 15, 2021 at J\$5.00 each.

The dividend on both classes of preference shares is recorded as interest expense in the profit or loss.

19. Deferred tax assets

|  | Group                               |  |                                | Balance at March 31, 2018<br>\$'000 |
|--|-------------------------------------|--|--------------------------------|-------------------------------------|
|  | Balance at March 31, 2017<br>\$'000 | Recognised in profit or loss<br>\$'000 | Recognised in equity<br>\$'000 |                                     |
|  | Restated*                           | (note 28)                              |                                | Restated*                           |
| Property, plant and equipment            | 7                                   | 5                                      | -                              | 12                                  |
| Loans receivable                         | 917                                 | -                                      | -                              | 917*                                |
| Other receivables                        | (750)                               | 324                                    | -                              | (426)                               |
| Unrealised foreign exchange gains        | 914                                 | (478)                                  | -                              | 436                                 |
| Investment property                      | (5)                                 | (4)                                    | -                              | (9)                                 |
| Available-for-sale investment securities | 309                                 | (24)                                   | (95)                           | 190                                 |
| Other liabilities                        | 143                                 | (67)                                   | -                              | 76                                  |
| Tax losses                               | 24                                  | -                                      | -                              | 24                                  |
| Exchange difference on translation       | 14                                  | 13                                     | -                              | 27                                  |
| Other                                    | <u>140</u>                          | <u>2</u>                               | <u>-</u>                       | <u>142</u>                          |
|  | <u>1,713</u>                        | <u>(229)</u>                           | <u>(95)</u>                    | <u>1,389</u>                        |
|  | 2017                                |  |                                |                                     |
|  | Balance at March 31, 2016<br>\$'000 | Recognised in profit or loss<br>\$'000 | Recognised in equity<br>\$'000 | Balance at March 31, 2017<br>\$'000 |
|  | Restated*                           | (note 28)                              |                                | Restated*                           |
| Property, plant and equipment            | (13)                                | 20                                     | -                              | 7                                   |
| Loans receivable                         | 657                                 | 260                                    | -                              | 917*                                |
| Other receivables                        | (694)                               | (56)                                   | -                              | (750)                               |
| Unrealised foreign exchange gains        | 14                                  | 900                                    | -                              | 914                                 |
| Investment property                      | (5)                                 | -                                      | -                              | (5)                                 |
| Available-for-sale investment securities | 831                                 | 202                                    | (724)                          | 309                                 |
| Other liabilities                        | 197                                 | (54)                                   | -                              | 143                                 |
| Tax losses                               | 24                                  | -                                      | -                              | 24                                  |
| Exchange difference on translation       | 36                                  | (22)                                   | -                              | 14                                  |
| Other                                    | <u>50</u>                           | <u>90</u>                              | <u>-</u>                       | <u>140</u>                          |
|  | <u>1,097</u>                        | <u>1,340</u>                           | <u>(724)</u>                   | <u>1,713</u>                        |

\*See note 36

# Notes to the Financial Statements

Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

## 20. Share capital

|  | <u>2018</u>       | <u>2017</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>2018</u>        | <u>2017</u>        | <u>2018</u>     | <u>2017</u>     |
|---|--------------------|--------------------|-----------------|-----------------|
|   | Units              | Units              | \$'000          | \$'000          |
| Issued and fully paid:  |                    |                    |                 |                 |
| Ordinary shares   | 625,307,963        | 551,595,777        | 86,716          | 69,248          |
| Manager's Preference Shares                                   | 10,000             | 10,000             | 1               | 1               |
| 8.25% (2017: 8.25%) Cumulative Redeemable Preference Shares   | <u>419,493,412</u> | <u>419,593,412</u> | <u>16,415</u>   | <u>15,976</u>   |
|   |                    |                    | 103,132         | 85,225          |
| Less: Preference shares classified as liability (see note 18) |                    |                    | <u>(16,416)</u> | <u>(15,977)</u> |
|   |                    |                    | <u>86,716</u>   | <u>69,248</u>   |

- (a) During the financial year, the Company issued an additional 73,712,186 ordinary shares at US\$0.24¢ per share for the aggregate increase in ordinary share capital of \$17,468,000.
- (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 18.

## 21. Fair value reserve

This represents the cumulative net unrealised gains/(losses) in fair value, net of taxation, on the revaluation of available-for-sale investment securities, and remains until the securities are disposed of or impaired.

## 22. Foreign exchange translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in foreign operations.

## 23. 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.

|  | <u>2018</u>                               |                                     |                                      |                 |
|--|---|-------------------------------------|--------------------------------------|-----------------|
|  | Access<br>Financial<br>Services<br>\$'000 | Boslil Bank<br>Limited<br>\$'000    | Intra-group<br>adjustments<br>\$'000 | Total<br>\$'000 |
| <b>NCI percentage</b>                                | <b>50.28%</b>                             | <b>25%</b>                          |                                      |                 |
| Total assets   | 28,077                                    | 262,963                             |                                      |                 |
| Total liabilities                                    | ( 9,697)                                  | (243,441)                           |                                      |                 |
| Net assets   | <u>18,380</u>                             | <u>19,522</u>                       |                                      |                 |
| Carrying amount of NCI                               | <u>9,241</u>                              | <u>4,881</u>                        | <u>8,135</u>                         | <u>22,257</u>   |
| Revenue  | <u>14,235</u>                             | <u>8,074</u>                        |                                      |                 |
| Profit for the year                                  | 5,631                                     | 3,977                               |                                      |                 |
| Profit allocated to NCI                              | <u>2,831</u>                              | <u>994</u>                          |                                      | <u>3,825</u>    |
| Cash flows from operating activities                 | 1,980                                     | ( 43,655)                           |                                      |                 |
| Cash flows from investment activities                | ( 356)                                    | ( 22)                               |                                      |                 |
| Cash flows from financing activities                 | ( 1,949)                                  | ( 2,279)                            |                                      |                 |
| Net decrease in cash and cash equivalents            | <u>( 325)</u>                             | <u>( 45,956)</u>                    |                                      |                 |
|  | <u>2017</u>                               |                                     |                                      |                 |
|  | Access<br>Financial<br>Services<br>\$'000 | Boslil<br>Bank<br>Limited<br>\$'000 | Intra-group<br>adjustments<br>\$'000 | Total<br>\$'000 |
|  | Restated*                                 |                                     |                                      |                 |
| <b>NCI percentage</b>                                | <b>50.28%</b>                             | <b>17.18%</b>                       |                                      |                 |
| Total assets   | 25,714                                    | 292,052                             |                                      |                 |
| Total liabilities                                    | (11,099)                                  | (272,566)                           |                                      |                 |
| Net assets   | <u>14,615</u>                             | <u>19,486</u>                       |                                      |                 |
| Carrying amount of NCI                               | <u>7,348</u>                              | <u>3,348</u>                        | <u>7,625</u>                         | <u>18,321</u>   |
| Revenue  | <u>11,907</u>                             | <u>181</u>                          |                                      |                 |
| Profit for the year                                  | 5,596                                     | 336                                 |                                      |                 |
| Profit allocated to NCI                              | <u>2,814</u>                              | <u>58</u>                           |                                      | <u>2,872</u>    |
| Cash flows from operating activities                 | 2,337                                     | 15,258                              |                                      |                 |
| Cash flows from investment activities                | ( 377)                                    | -                                   |                                      |                 |
| Cash flows from financing activities                 | ( 1,983)                                  | <u>3</u>                            |                                      |                 |
| Net (decrease)/increase in cash and cash equivalents | <u>( 23)</u>                              | <u>15,261</u>                       |                                      |                 |

\*See note 36

# Notes to the Financial Statements

Year ended March 31, 2018

(Presented in United States dollars, except as otherwise stated)

24. Net interest income

|                                | Group          |                | Company        |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Interest income:               |                |                |                |                |
| BOJ certificates of deposit    | 9              | -              | -              | -              |
| GOJ benchmark investment notes | 2,011          | 2,266          | 410            | -              |
| Regional and corporate bonds   | 6,648          | 3,503          | 3,046          | 3,508          |
| Global bonds                   | 5,027          | 6,078          | 1,619          | 2,270          |
| Resale agreements              | 903            | 1,121          | 14             | 21             |
| Corporate note                 | 989            | 779            | 1,932          | 1,181          |
| Other loans receivable         | 11,935         | 10,058         | -              | -              |
| Other                          | 968            | 344            | 13             | -              |
|                                | <u>28,490</u>  | <u>24,149</u>  | <u>7,034</u>   | <u>6,980</u>   |
| Interest expense:              |                |                |                |                |
| Interest on margin loans       | 708            | 413            | 708            | 413            |
| Repurchase agreements          | 2,874          | 4,425          | 185            | 360            |
| Notes payable                  | 3,878          | 3,845          | 2,332          | 3,319          |
| Preference shares              | -              | 690            | -              | 690            |
| Other                          | 639            | 273            | 1,696          | 156            |
|                                | <u>8,099</u>   | <u>9,646</u>   | <u>4,921</u>   | <u>4,938</u>   |
| Net interest income            | <u>20,391</u>  | <u>14,503</u>  | <u>2,113</u>   | <u>2,042</u>   |

25. Net fair value adjustments and realised gains

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Fair value adjustment for investment property        | ( 4)           | 27             | -              | -              |
| Fair value gains/(losses) on fixed income securities | 4,247          | 1,682          | 414            | (758)          |
| Fair value gains/(losses) on equity securities       | 50             | 11             | -              | (1)            |
|  | <u>4,293</u>   | <u>1,720</u>   | <u>414</u>     | <u>(759)</u>   |

26. Staff costs

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Salaries, wages and related costs                   | 6,813          | 3,652          | -              | -              |
| Bonus and ex-gratia payments                        | 361            | 335            | -              | -              |
| Statutory payroll contributions                     | 275            | 211            | -              | -              |
| Pension costs - defined contribution plan           | 134            | 103            | -              | -              |
| Staff welfare                                       | 53             | 53             | -              | -              |
| Equity-settled share based payment [note ( 9)(iii)] | 199            | 3,244          | -              | 2,165          |
| Other   | 773            | 712            | 92             | 83             |
|   | <u>8,608</u>   | <u>8,310</u>   | <u>92</u>      | <u>2,248</u>   |

26. Staff costs (continued)

Included in staff costs are the following directors' emoluments:

|                         | Group          |                | Company        |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Fees                    | 261            | 139            | 92             | 83             |
| Management remuneration | <u>366</u>     | <u>404</u>     | <u>-</u>       | <u>-</u>       |

27. Other operating expenses

|                                   | Group          |                | Company        |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Audit fees                        | 233            | 237            | 109            | 103            |
| Bad debt recovery, net            | ( 208)         | ( 177)         | -              | -              |
| Irrecoverable GCT                 | 347            | 278            | 111            | 179            |
| Insurance                         | 136            | 112            | 13             | -              |
| Legal and other professional fees | 1,015          | 1,211          | 233            | 829            |
| Licenses and permits              | 474            | 425            | -              | -              |
| Marketing and advertising         | 677            | 681            | 205            | 195            |
| Miscellaneous                     | 612            | 434            | 144            | 214            |
| Management fees [note 29(f)]      | 1,690          | 1,363          | 1,690          | 1,363          |
| Irrecoverable income tax withheld | 79             | 98             | 79             | 98             |
| Office rent                       | 646            | 523            | -              | -              |
| Commission expenses and fees      | -              | -              | 210            | 251            |
| Printing and stationery           | 210            | 150            | 4              | -              |
| Repairs and maintenance           | 449            | 451            | -              | -              |
| Subscriptions and donations       | 94             | 20             | -              | -              |
| Courier and collection services   | 300            | 221            | -              | -              |
| Travelling                        | 200            | 128            | 44             | 64             |
| Utilities                         | 549            | 347            | -              | -              |
| Other operating expenses          | <u>1,363</u>   | <u>1,294</u>   | <u>77</u>      | <u>558</u>     |
|                                   | <u>8,866</u>   | <u>7,796</u>   | <u>2,919</u>   | <u>3,854</u>   |

28. Taxation

(a) The tax charge for income tax is computed at 1%, 25% and 33 1/3% (depending on the jurisdiction) of profit for the year as adjusted for tax purposes, and is made up as follows:

|                                     | Group          |                | Company        |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| (i) Current tax charge:             |                |                |                |                |
| Charge on current period's profits: |                |                |                |                |
| Income tax at 1%                    | 24             | -              | -              | -              |
| Income tax at 33 1/3%               | 1,401          | 1,442          | -              | -              |
| Income tax at 25%                   | <u>675</u>     | <u>595</u>     | <u>-</u>       | <u>-</u>       |
|                                     | <u>2,100</u>   | <u>2,037</u>   | <u>-</u>       | <u>-</u>       |

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## 28. Taxation (continued)

- (a) The tax charge for income tax is computed at 1%, 25% and 33 $\frac{1}{3}$ % (depending on the jurisdiction) of profit for the year as adjusted for tax purposes, and is made up as follows (continued):

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
|   |                | Restated*      |                |                |
| (ii) Deferred tax:                                |                |                |                |                |
| Origination and reversal of temporary differences | 229            | (1,340)        | -              | -              |
| (iii) Prior year over provision                   | ( 175)         | -              | -              | -              |
| Total income tax charge                           | <u>2,154</u>   | <u>697</u>     | <u>-</u>       | <u>-</u>       |

- (b) Reconciliation of actual tax expense/(credit):

The tax rate for two of the subsidiaries is 25% and 33 $\frac{1}{3}$ % of profit before income tax adjusted for tax purposes, while the tax rate for the Company is 1% of profits. The actual charge for the year is as follows:

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
|   |                | Restated*      |                |                |
| Profit/(loss) before taxation   | <u>11,661</u>  | <u>12,419</u>  | <u>5,200</u>   | <u>(1,779)</u> |
| Computed "expected" tax expense at 1%   | 1              | -              | -              | -              |
| Computed "expected" tax expense at 25%  | 1,576          | 1,475          | -              | -              |
| Computed "expected" tax expense at 33 $\frac{1}{3}$ %                             | <u>1,417</u>   | <u>1,424</u>   | <u>-</u>       | <u>-</u>       |
|   | 2,994          | 2,899          | -              | -              |
| Difference between profits for financial statements and tax reporting purposes on |                |                |                |                |
| Depreciation charge and capital allowances  | 2              | 20             | -              | -              |
| Income exempt from income tax   | ( 212)         | ( 676)         | -              | -              |
| Employer tax credit   | ( 363)         | ( 255)         | -              | -              |
| Disallowed expenses   | 438            | 164            | -              | -              |
| Unrealised foreign exchange gains   | ( 5)           | -              | -              | -              |
| Financial asset at fair value   | 3              | -              | -              | -              |
| Tax remission in subsidiary   | ( 661)         | ( 851)         | -              | -              |
| Provision for loan loss   | -              | ( 260)         | -              | -              |
| Prior period over-accrual   | ( 175)         | -              | -              | -              |
| Other   | 133            | ( 344)         | -              | -              |
| Actual tax expense  | <u>2,154</u>   | <u>697</u>     | <u>-</u>       | <u>-</u>       |

\*See note 36

## 29. Related party transactions

- (a) Definition of related party

A related party is a person or entity that is related to the Group.

- (i) A person or a close member of that person's family is related to the Group if that person:

- (1) has control or joint control over the Group;
- (2) has significant influence over the Group; or
- (3) is a member of the key management personnel of the Group or of a parent of the Group.

- (ii) An entity is related to the Group if any of the following conditions applies:

- (1) The entity and the Group 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 Group or an entity related to the Group.
- (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 29(f)].

|  | Group and Company |                |
|--|-------------------|----------------|
|  | 2018<br>\$'000    | 2017<br>\$'000 |
| Investment management fees paid for the year | 1,545             | 1,248          |
| Fees accrued at end of year                  | <u>145</u>        | <u>115</u>     |
|  | <u>1,690</u>      | <u>1,363</u>   |



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29. Related party transactions (continued)

(d) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Such persons comprise the directors and executive officers. Key management compensation for the year, included in staff costs (note 26), is as follows:

|                         | Group                 |                       | Company               |                       |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                         | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Directors' fees         | 261                   | 139                   | 92                    | 83                    |
| Management remuneration | <u>366</u>            | <u>404</u>            | <u>-</u>              | <u>-</u>              |

The statement of financial position includes balances, arising in the ordinary course of business, with its related parties, as follows:

|                       | <u>2018</u><br>Directors<br>and key<br><u>management</u><br>\$'000 | <u>2017</u><br>Directors<br>and key<br><u>management</u><br>\$'000 |
|-----------------------|--|--|
| Resale agreements     | 63   | 72   |
| Other receivables     | 273  | 217  |
| Repurchase agreements | <u>-</u>   | <u>176</u>   |

Other amounts with related parties are disclosed in note 14.

(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:

|                           | Group                 |                       | Company               |                       |
|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                           | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Proven Wealth Limited     |                       |                       |                       |                       |
| Interest income           | <u>-</u>              | <u>-</u>              | <u>139</u>            | <u>148</u>            |
| MPS Holding Limited       |                       |                       |                       |                       |
| Dividends paid            | <u>976</u>            | <u>2,184</u>          | <u>976</u>            | <u>2,184</u>          |
| Proven Management Limited |                       |                       |                       |                       |
| Management fees           | <u>1,690</u>          | <u>1,363</u>          | <u>1,690</u>          | <u>1,363</u>          |

30. Earnings per stock unit

Earning per stock unit ("EPS") is computed by dividing the profit attributable to stockholders of the parent, of \$5,682,000 (2017: \$8,850,000), by the weighted average number of ordinary stock units in issue during the year, numbering 601,881,624 (2017: 551,595,777).

31. Distribution to equity holders

|   | Group and Company     |                       |
|---|-----------------------|-----------------------|
|   | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Distribution to ordinary shareholders           |                       |                       |
| per stock unit - parent at 1.1¢ (2017: 0.8¢)    | 6,383                 | 4,360                 |
| - non-controlling interest at 0.7¢ (2017: 0.5¢) | <u>1,364</u>          | <u>705</u>            |
|   | <u>7,747</u>          | <u>5,065</u>          |

32. Lease commitments

At the reporting date, there were operating lease rental commitments payable as follows:

|                  | Group                 |                       |
|------------------|-----------------------|-----------------------|
|                  | <u>2018</u><br>\$'000 | <u>2017</u><br>\$'000 |
| Within one year  | 494                   | 386                   |
| Subsequent years | <u>355</u>            | <u>516</u>            |
|                  | <u>849</u>            | <u>902</u>            |

Notes to the Financial Statements

Year ended March 31, 2018  
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33. Segmental financial information

|                                   | Group                       |                           |                          |                               |                        |                 |
|-----------------------------------|-----------------------------|---------------------------|--------------------------|-------------------------------|------------------------|-----------------|
|                                   | Wealth management<br>\$'000 | Private banking<br>\$'000 | Retail lending<br>\$'000 | Real estate & other<br>\$'000 | Eliminations<br>\$'000 | Group<br>\$'000 |
|                                   | 2018                        |                           |                          |                               |                        |                 |
| Gross revenue                     | 27,118                      | 8,074                     | 14,225                   | 3,123                         | -                      | 52,540          |
| Inter-segment revenue             | ( 5,383)                    | (1,895)                   | ( 952)                   | ( 13)                         | -                      | ( 8,243)        |
| Revenue from external customers   | <u>21,735</u>               | <u>6,179</u>              | <u>13,273</u>            | <u>3,110</u>                  | -                      | <u>44,297</u>   |
| Segment results                   | 10,428                      | 3,977                     | 6,259                    | ( 61)                         | ( 8,014)               | 12,589          |
| Preference share dividend         | -                           | -                         | -                        | -                             | -                      | ( 976)          |
| Gain on acquisition of subsidiary | -                           | -                         | -                        | -                             | -                      | 48              |
| Profit before income tax          | -                           | -                         | -                        | -                             | -                      | 11,661          |
| Taxation                          | -                           | -                         | -                        | -                             | -                      | ( 2,154)        |
| Profit for the year               | -                           | -                         | -                        | -                             | -                      | <u>9,507</u>    |
| Total segment assets              | <u>329,194</u>              | <u>262,963</u>            | <u>28,079</u>            | <u>20,205</u>                 | <u>(63,526)</u>        | <u>576,915</u>  |
| Total segment liabilities         | <u>222,307</u>              | <u>243,440</u>            | <u>9,697</u>             | <u>20,053</u>                 | <u>(25,934)</u>        | <u>469,563</u>  |
| Interest income                   | 13,351                      | 4,572                     | 11,536                   | 77                            | ( 1,046)               | 28,490          |
| Interest expense                  | ( 7,741)                    | ( 179)                    | ( 830)                   | ( 395)                        | 1,046                  | ( 8,099)        |
| Depreciation and amortisation     | 538                         | 634                       | 487                      | -                             | -                      | 1,659           |
| Capital commitments               | -                           | -                         | -                        | -                             | -                      | -               |

33. Segmental financial information (continued)

|                                   | Group                       |                           |                          |                               |                        |                 |
|-----------------------------------|-----------------------------|---------------------------|--------------------------|-------------------------------|------------------------|-----------------|
|                                   | Wealth management<br>\$'000 | Private banking<br>\$'000 | Retail lending<br>\$'000 | Real estate & other<br>\$'000 | Eliminations<br>\$'000 | Group<br>\$'000 |
|                                   | 2017                        |                           |                          |                               |                        |                 |
| Gross revenue                     | 24,118                      | 476                       | 11,904                   | 684                           | -                      | 37,182          |
| Inter-segment revenue             | ( 1,298)                    | -                         | (1,098)                  | ( 318)                        | -                      | ( 2,714)        |
| Revenue from external customers   | <u>22,820</u>               | <u>476</u>                | <u>10,806</u>            | <u>366</u>                    | -                      | <u>34,468</u>   |
| Segment results                   | 2,492                       | 336                       | 5,901                    | ( 251)                        | ( 1,905)               | 6,573           |
| Preference share dividend         | -                           | -                         | -                        | -                             | -                      | ( 2,184)        |
| Gain on acquisition of subsidiary | -                           | -                         | -                        | -                             | -                      | 8,030           |
| Profit before income tax          | -                           | -                         | -                        | -                             | -                      | 12,419          |
| Taxation                          | -                           | -                         | -                        | -                             | -                      | ( 697)          |
| Profit for the year               | -                           | -                         | -                        | -                             | -                      | <u>11,722</u>   |
| Total segment assets              | <u>355,487</u>              | <u>292,052</u>            | <u>25,159</u>            | <u>8,859</u>                  | <u>(48,227)</u>        | <u>633,330</u>  |
| Total segment liabilities         | <u>263,111</u>              | <u>272,566</u>            | <u>10,848</u>            | <u>8,613</u>                  | <u>(11,665)</u>        | <u>543,473</u>  |
| Interest income                   | 14,539                      | 181                       | 9,960                    | -                             | ( 531)                 | 24,149          |
| Interest expense                  | ( 9,211)                    | ( 8)                      | ( 879)                   | ( 79)                         | 531                    | ( 9,646)        |
| Depreciation and amortisation     | 792                         | 22                        | 529                      | -                             | -                      | 1,343           |
| Capital commitments               | -                           | -                         | -                        | -                             | -                      | -               |

# Notes to the Financial Statements

Year ended March 31, 2018

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## 34. 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 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 claims 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.

### (b) Credit risk:

Credit risk is the risk of default by an obligor. This risk is managed primarily by reviews of the financial status of each obligor. The primary concentration of the Group's credit risks relates to investments in government securities. With the exception of investments in government securities and government-backed securities, there are no significant concentrations of credit risk.

#### (i) Maximum exposure to credit risk:

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.

## 34. Financial instruments - risk management (continued)

### (b) Credit risk (continued):

#### (i) Maximum exposure to credit risk (continued):

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 debts and companies 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.

- 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.

#### (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.

#### (iii) Impairment:

Impairment allowance for financial assets considered impaired at the reporting date are disclosed in notes 6 and 7.

During the year, there was no change in the nature of the Group's exposure to credit risk or to the manner in which it measures and manages the risk.

# Notes to the Financial Statements

Year ended March 31, 2018

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## 34. 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 on a daily basis.

#### (i) Liquidity risk management:

The Group's liquidity management process, as carried out within the Group and 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 easily 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.

The table below presents the undiscounted cash flows payable (both interest and principal cash flows) based on contractual repayment obligations. The tables also reflect the expected maturities of the Group's liabilities at the reporting date.

|                             | Group                  |                         |                          |                                     |  |   |                              |
|-----------------------------|------------------------|-------------------------|--------------------------|-------------------------------------|--|---|------------------------------|
|                             | 0-30<br>days<br>\$'000 | 31-90<br>days<br>\$'000 | 91-365<br>days<br>\$'000 | 366 days<br>to<br>5 years<br>\$'000 | No<br>specific<br>maturity<br>date<br>\$'000 | Total<br>contractual<br>outflow<br>\$'000 | Carrying<br>amount<br>\$'000 |
|                             | 2018                   |                         |                          |                                     |  |   |                              |
| Liabilities                 |                        |                         |                          |                                     |  |   |                              |
| Repurchase agreements       | 48,101                 | 47,294                  | 754                      | 2,759                               | -  | 98,908                                    | 93,709                       |
| Notes payable               | 155                    | 1,842                   | 27,808                   | 73,245                              | 19,620                                       | 122,670                                   | 110,961                      |
| Other liabilities           | 2,330                  | 2,229                   | 18                       | 3,169                               | 979  | 8,725                                     | 4,220                        |
| Due to related parties      | -                      | -                       | -                        | -                                   | 98   | 98  | 98                           |
| Due to banks                | 2,187                  | -                       | -                        | -                                   | -  | 2,187                                     | 2,187                        |
| Due to customers            | 227,042                | 695                     | 7,405                    | 5,424                               | -  | 240,566                                   | 240,829                      |
| Preference shares           | -                      | -                       | -                        | 17,063                              | -  | 17,063                                    | 16,416                       |
| Total financial liabilities | <u>279,815</u>         | <u>52,060</u>           | <u>35,985</u>            | <u>101,660</u>                      | <u>20,697</u>                                | <u>490,217</u>                            | <u>468,420</u>               |

## 34. Financial instruments - risk management (continued)

### (c) Liquidity risk:

#### (i) Liquidity risk management (continued):

|                             | Group                  |                         |                          |                                     |  |   |                              |
|-----------------------------|------------------------|-------------------------|--------------------------|-------------------------------------|--|---|------------------------------|
|                             | 0-30<br>days<br>\$'000 | 31-90<br>days<br>\$'000 | 91-365<br>days<br>\$'000 | 366 days<br>to<br>5 years<br>\$'000 | No<br>specific<br>maturity<br>date<br>\$'000 | Total<br>contractual<br>outflow<br>\$'000 | Carrying<br>amount<br>\$'000 |
|                             | 2017                   |                         |                          |                                     |  |   |                              |
| Liabilities                 |                        |                         |                          |                                     |  |   |                              |
| Repurchase agreements       | 70,484                 | 65,853                  | 4,482                    | 2,318                               | -  | 143,137                                   | 142,999                      |
| Notes payable               | 4,166                  | 2,198                   | 59,973                   | 34,918                              | -  | 101,255                                   | 96,687                       |
| Other liabilities           | 7,393                  | -                       | 555                      | -                                   | 4,895  | 12,843                                    | 12,843                       |
| Due to related parties      | -                      | -                       | -                        | -                                   | 949  | 949                                       | 949                          |
| Due to banks                | 118                    | -                       | -                        | -                                   | 2,092  | 2,210                                     | 2,210                        |
| Due to customers            | 13,214                 | 506                     | 7,732                    | -                                   | 248,674                                      | 270,126                                   | 270,055                      |
| Preference shares           | 117                    | 233                     | 1,048                    | 22,613                              | 260  | 24,271                                    | 15,977                       |
| Total financial liabilities | <u>95,492</u>          | <u>68,790</u>           | <u>73,790</u>            | <u>59,849</u>                       | <u>256,870</u>                               | <u>554,791</u>                            | <u>541,720</u>               |

|                             | Company                |                         |                          |                                     |  |   |                              |
|-----------------------------|------------------------|-------------------------|--------------------------|-------------------------------------|--|---|------------------------------|
|                             | 0-30<br>days<br>\$'000 | 31-90<br>days<br>\$'000 | 91-365<br>days<br>\$'000 | 366 days<br>to<br>5 years<br>\$'000 | No<br>specific<br>maturity<br>date<br>\$'000 | Total<br>contractual<br>outflow<br>\$'000 | Carrying<br>amount<br>\$'000 |
|                             | 2018                   |                         |                          |                                     |  |   |                              |
| Liabilities                 |                        |                         |                          |                                     |  |   |                              |
| Repurchase agreements       | 1,867                  | 2,748                   | -                        | -                                   | -  | 4,615                                     | 4,384                        |
| Due to subsidiaries         | -                      | -                       | -                        | -                                   | 1,269  | 1,269                                     | 1,269                        |
| Due to related parties      | -                      | -                       | -                        | -                                   | 98   | 98  | 98                           |
| Notes payable               | -                      | 1,806                   | 26,800                   | 73,245                              | -  | 101,851                                   | 101,144                      |
| Preference shares           | -                      | -                       | -                        | 16,797                              | -  | 16,797                                    | 16,416                       |
| Other liabilities           | -                      | -                       | -                        | -                                   | 979  | 979                                       | 979                          |
| Total financial liabilities | <u>1,867</u>           | <u>4,554</u>            | <u>26,800</u>            | <u>90,042</u>                       | <u>2,346</u>                                 | <u>125,609</u>                            | <u>124,290</u>               |

|                             | 2017                   |                         |                          |                                     |  |   |                              |
|-----------------------------|------------------------|-------------------------|--------------------------|-------------------------------------|--|---|------------------------------|
|                             | 0-30<br>days<br>\$'000 | 31-90<br>days<br>\$'000 | 91-365<br>days<br>\$'000 | 366 days<br>to<br>5 years<br>\$'000 | No<br>specific<br>maturity<br>date<br>\$'000 | Total<br>contractual<br>outflow<br>\$'000 | Carrying<br>amount<br>\$'000 |
| Liabilities                 |                        |                         |                          |                                     |  |   |                              |
| Repurchase agreements       | 13,563                 | 1,305                   | -                        | -                                   | -  | 14,868                                    | 14,845                       |
| Due to subsidiaries         | -                      | -                       | -                        | -                                   | 1,094  | 1,094                                     | 1,094                        |
| Notes payable               | 3,953                  | -                       | 54,945                   | 31,000                              | -  | 89,898                                    | 87,315                       |
| Preference shares           | 117                    | 233                     | 1,048                    | 22,613                              | -  | 24,011                                    | 15,977                       |
| Other liabilities           | -                      | -                       | -                        | -                                   | 2,100  | 2,100                                     | 2,100                        |
| Total financial liabilities | <u>17,633</u>          | <u>1,538</u>            | <u>55,993</u>            | <u>53,613</u>                       | <u>3,194</u>                                 | <u>131,971</u>                            | <u>121,331</u>               |

# Notes to the Financial Statements

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(Presented in United States dollars, except as otherwise stated)

## 34. Financial instruments - risk management (continued)

### (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.

There has been no major change to the nature of the Group's exposure to market risks or the manner in which it measures and manages the risk.

### (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:

|                           | Group             |               |               |               |               |                 |
|---------------------------|-------------------|---------------|---------------|---------------|---------------|-----------------|
|                           | 2018              |               |               |               |               |                 |
|                           | JMD<br>\$'000     | GBP<br>£'000  | CAD<br>\$'000 | EUR<br>€'000  | AUD<br>\$'000 | Other<br>\$'000 |
| <b>Assets</b>             |                   |               |               |               |               |                 |
| Cash and cash equivalents | 432,826           | 8,180         | 3,503         | 4,332         | 2,419         | 2,467           |
| Resale agreements         | 2,180,925         | -             | -             | -             | -             | -               |
| Investment securities     | 4,892,588         | 6,563         | -             | 20,170        | 1,455         | 155             |
| Loans receivable          | 3,053,443         | -             | 3,852         | -             | -             | -               |
| Other                     | 625,487           | 82            | -             | -             | -             | 260             |
|                           | <u>11,185,269</u> | <u>14,825</u> | <u>7,355</u>  | <u>24,502</u> | <u>3,874</u>  | <u>2,882</u>    |
| <b>Liabilities</b>        |                   |               |               |               |               |                 |
| Repurchase agreements     | 3,945,402         | 26            | -             | -             | -             | -               |
| Notes payable             | 2,998,813         | -             | -             | -             | -             | -               |
| Preference shares         | 2,130,800         | -             | -             | -             | -             | -               |
| Deposits from other banks | -                 | 2             | -             | -             | -             | -               |
| Due to customers          | -                 | 14,685        | 7,135         | 24,389        | 3,859         | 4,105           |
| Other                     | 445,526           | -             | -             | -             | -             | 165             |
|                           | <u>9,520,541</u>  | <u>14,713</u> | <u>7,135</u>  | <u>24,389</u> | <u>3,859</u>  | <u>4,270</u>    |
| <b>Net position</b>       | <u>1,664,728</u>  | <u>112</u>    | <u>220</u>    | <u>113</u>    | <u>15</u>     | <u>(1,388)</u>  |

## 34. Financial instruments - risk management (continued)

### (d) Market risk (continued):

### (i) Foreign currency risk (continued):

|                           | Group             |               |               |               |               |                 |
|---------------------------|-------------------|---------------|---------------|---------------|---------------|-----------------|
|                           | 2017              |               |               |               |               |                 |
|                           | JMD<br>\$'000     | GBP<br>£'000  | CAD<br>\$'000 | EUR<br>€'000  | AUD<br>\$'000 | Other<br>\$'000 |
| <b>Assets</b>             |                   |               |               |               |               |                 |
| Cash and cash equivalents | 261,793           | 13,490        | 9,151         | 11,712        | 20,562        | 20,137          |
| Resale agreements         | 4,042,420         | -             | -             | -             | -             | -               |
| Investment securities     | 10,586,704        | 5,738         | -             | 11,650        | 152           | 1,305           |
| Loans receivable          | 353,604           | -             | -             | -             | -             | -               |
| Other                     | 2,094,834         | 71            | -             | -             | 75            | -               |
|                           | <u>17,339,355</u> | <u>19,299</u> | <u>9,151</u>  | <u>23,362</u> | <u>20,789</u> | <u>21,442</u>   |
| <b>Liabilities</b>        |                   |               |               |               |               |                 |
| Repurchase agreements     | 5,925,233         | -             | -             | -             | -             | -               |
| Notes payable             | 1,168,705         | -             | -             | -             | -             | -               |
| Preference shares         | 2,131,428         | -             | -             | -             | -             | -               |
| Deposits from other banks | -                 | 2             | -             | -             | -             | -               |
| Due to customers          | -                 | 18,951        | 8,990         | 22,927        | 21,163        | 21,410          |
| Other                     | 1,007,422         | 117           | 1             | 4             | 86            | -               |
|                           | <u>10,232,788</u> | <u>19,070</u> | <u>8,991</u>  | <u>22,931</u> | <u>21,249</u> | <u>21,410</u>   |
| <b>Net position</b>       | <u>7,106,567</u>  | <u>229</u>    | <u>160</u>    | <u>431</u>    | <u>(460)</u>  | <u>32</u>       |

|                           | Company            |                    |
|---------------------------|--------------------|--------------------|
|                           | 2018               | 2017               |
|                           | JMD<br>\$'000      | JMD<br>\$'000      |
| <b>Assets</b>             |                    |                    |
| Cash and cash equivalents | 18,720             | 43,741             |
| Resale agreements         | -                  | -                  |
| Loans receivable          | 32,159             | 1,424,193          |
| Investment securities     | 2,721,111          | 2,131              |
| Due from related party    | -                  | 12,862             |
| Other                     | 12,118             | -                  |
|                           | <u>2,784,108</u>   | <u>1,482,927</u>   |
| <b>Liabilities</b>        |                    |                    |
| Owed to related parties   | -                  | 43,235             |
| Notes payable             | 2,034,071          | 1,168,737          |
| Preference shares         | 2,097,967          | 2,098,095          |
| Repurchase agreement      | 342,140            | -                  |
| Other                     | 32,250             | -                  |
|                           | <u>4,506,428</u>   | <u>3,310,067</u>   |
| <b>Net position</b>       | <u>(1,722,320)</u> | <u>(1,827,140)</u> |

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## 34. 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 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.

|                                 |                | 2018         |                         |              |                         |
|---------------------------------|----------------|--------------|-------------------------|--------------|-------------------------|
|                                 |                | Group        |                         | Company      |                         |
| % change in<br>currency<br>rate |                | Effect       | Effect on               | Effect       | Effect on               |
|                                 |                | on<br>profit | comprehensive<br>income | on<br>profit | comprehensive<br>income |
|                                 |                | \$'000       | \$'000                  | \$'000       | \$'000                  |
| Currency:                       |                |              |                         |              |                         |
| JMD                             | 2% Revaluation | 271          | -                       | (280)        | -                       |
| GBP                             | 2% Revaluation | 2            | -                       | -            | -                       |
| CAD                             | 2% Revaluation | 6            | -                       | -            | -                       |
| AUD                             | 2% Revaluation | -            | -                       | -            | -                       |
| EUR                             | 2% Revaluation | <u>2</u>     | <u>-</u>                | <u>-</u>     | <u>-</u>                |
|                                 |                | 2017         |                         |              |                         |
|                                 |                | Group        |                         | Company      |                         |
| % change in<br>currency<br>rate |                | Effect       | Effect on               | Effect       | Effect on               |
|                                 |                | on<br>profit | comprehensive<br>income | on<br>profit | comprehensive<br>income |
|                                 |                | \$'000       | \$'000                  | \$'000       | \$'000                  |
| Currency:                       |                |              |                         |              |                         |
| JMD                             | 1% Revaluation | 560          | -                       | (144)        | -                       |
| GBP                             | 1% Revaluation | 2            | -                       | -            | -                       |
| CAD                             | 1% Revaluation | 2            | -                       | -            | -                       |
| AUD                             | 1% Revaluation | -            | -                       | -            | -                       |
| EUR                             | 1% Revaluation | <u>4</u>     | <u>-</u>                | <u>-</u>     | <u>-</u>                |
|                                 |                | 2018         |                         |              |                         |
|                                 |                | Group        |                         | Company      |                         |
| % change in<br>currency<br>rate |                | Effect       | Effect on               | Effect       | Effect on               |
|                                 |                | on<br>profit | comprehensive<br>income | on<br>profit | comprehensive<br>income |
|                                 |                | \$'000       | \$'000                  | \$'000       | \$'000                  |
| Currency:                       |                |              |                         |              |                         |
| JMD                             | 4% Devaluation | (511)        | -                       | 529          | -                       |
| GBP                             | 4% Devaluation | ( 3)         | -                       | -            | -                       |
| CAD                             | 4% Devaluation | ( 11)        | -                       | -            | -                       |
| AUD                             | 4% Devaluation | ( 1)         | -                       | -            | -                       |
| EUR                             | 4% Devaluation | <u>( 4)</u>  | <u>-</u>                | <u>-</u>     | <u>-</u>                |

## 34. Financial instruments - risk management (continued)

### (d) Market risk (continued):

#### (i) Foreign currency risk (continued):

|                                 |                | 2017         |                         |              |                         |
|---------------------------------|----------------|--------------|-------------------------|--------------|-------------------------|
|                                 |                | Group        |                         | Company      |                         |
| % change in<br>currency<br>rate |                | Effect       | Effect on               | Effect       | Effect on               |
|                                 |                | on<br>profit | comprehensive<br>income | on<br>profit | comprehensive<br>income |
|                                 |                | \$'000       | \$'000                  | \$'000       | \$'000                  |
| JMD                             | 6% Devaluation | (3,137)      | -                       | 806          | -                       |
| GBP                             | 6% Devaluation | ( 15)        | -                       | -            | -                       |
| CAD                             | 6% Devaluation | ( 12)        | -                       | -            | -                       |
| AUD                             | 6% Devaluation | -            | -                       | -            | -                       |
| EUR                             | 6% Devaluation | <u>( 23)</u> | <u>-</u>                | <u>-</u>     | <u>-</u>                |

#### (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 risk, whereas fixed interest rate instruments expose the Group to fair value interest 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.

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34. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk:

|  | Group          |               |               |                     |                |                        |                |
|--|----------------|---------------|---------------|---------------------|----------------|------------------------|----------------|
|  | 2018           |               |               |                     |                |                        |                |
|  | 0-30 days      | 31-90 days    | 91-365 days   | 366 days to 5 years | Over 5 years   | Non interest sensitive | Total          |
|  | \$'000         | \$'000        | \$'000        | \$'000              | \$'000         | \$'000                 | \$'000         |
| <b>Assets</b>                            |                |               |               |                     |                |                        |                |
| Cash and cash equivalents                | 55,902         | 14,200        | -             | -                   | -              | 19,261                 | 89,363         |
| Resale agreements                        | 3,168          | 21,205        | -             | -                   | -              | -                      | 24,373         |
| Investment securities                    | 27,211         | 6,037         | 42,528        | 137,082             | 131,492        | 24,735                 | 369,085        |
| Loans receivable                         | 24,605         | 4,088         | 29            | 11,504              | 3,677          | -                      | 43,903         |
| Other assets                             | 1,259          | 1,130         | 21            | 1,136               | -              | 6,804                  | 10,350         |
| <b>Total assets</b>                      | <b>112,145</b> | <b>46,660</b> | <b>42,578</b> | <b>149,722</b>      | <b>135,169</b> | <b>50,800</b>          | <b>537,074</b> |
| <b>Liabilities</b>                       |                |               |               |                     |                |                        |                |
| Repurchase agreements                    | 43,651         | 45,680        | 1,606         | 2,772               | -              | -                      | 93,709         |
| Owed to related parties                  | -              | -             | -             | -                   | -              | 98                     | 98             |
| Notes payable                            | 72             | 1,806         | 68,367        | 38,669              | -              | 2,047                  | 110,961        |
| Other liabilities                        | 1,546          | 111           | -             | -                   | -              | 2,563                  | 4,220          |
| Deposits from other banks                | 118            | -             | -             | -                   | -              | 2,069                  | 2,187          |
| Due to customers                         | 14,024         | 695           | 7,387         | 5,070               | -              | 213,653                | 240,829        |
| Preference shares                        | -              | -             | -             | -                   | -              | 16,416                 | 16,416         |
| <b>Total liabilities</b>                 | <b>59,411</b>  | <b>48,292</b> | <b>77,360</b> | <b>46,511</b>       | <b>-</b>       | <b>236,846</b>         | <b>468,420</b> |
| Interest rate sensitivity gap            | 52,734         | (1,632)       | (34,782)      | 103,211             | 135,169        | (186,046)              | 68,654         |
| Cumulative interest rate sensitivity gap | 52,734         | 51,102        | 16,320        | 119,531             | 254,700        | 68,654                 | -              |

34. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

|  | Group         |               |               |                     |                |                        |                |
|--|---------------|---------------|---------------|---------------------|----------------|------------------------|----------------|
|  | 2017          |               |               |                     |                |                        |                |
|  | 0-30 days     | 31-90 days    | 91-365 days   | 366 days to 5 years | Over 5 years   | Non interest sensitive | Total          |
|  | \$'000        | \$'000        | \$'000        | \$'000              | \$'000         | \$'000                 | \$'000         |
| <b>Assets:</b>                           |               |               |               |                     |                |                        |                |
| Cash and cash equivalents                | -             | -             | -             | -                   | -              | 151,314                | 151,314        |
| Resale agreements                        | 6,400         | 32,098        | -             | -                   | -              | -                      | 38,498         |
| Investment securities                    | 626           | 3,004         | 55,693        | 111,686             | 149,508        | 41,742                 | 362,259        |
| Loans receivable                         | 5,165         | 998           | 15,413        | 17,408              | 289            | 148                    | 39,421         |
| Other assets                             | -             | -             | 5             | 376                 | 65             | 11,125                 | 11,571         |
| <b>Total assets</b>                      | <b>12,191</b> | <b>36,100</b> | <b>71,111</b> | <b>129,470</b>      | <b>149,862</b> | <b>204,329</b>         | <b>603,063</b> |
| <b>Liabilities</b>                       |               |               |               |                     |                |                        |                |
| Repurchase agreements                    | 68,683        | 65,329        | 4,513         | 4,474               | -              | -                      | 142,999        |
| Notes payable                            | 5,811         | -             | 57,773        | 31,279              | -              | 1,824                  | 96,687         |
| Other liabilities                        | -             | -             | -             | -                   | -              | 12,843                 | 12,843         |
| Due to banks                             | 118           | -             | -             | -                   | -              | 2,092                  | 2,210          |
| Customer deposits                        | 13,209        | 506           | 7,665         | -                   | -              | 248,675                | 270,055        |
| Owed to related parties                  | -             | -             | -             | -                   | -              | 949                    | 949            |
| Preference shares                        | -             | -             | -             | 15,977              | -              | -                      | 15,977         |
| <b>Total liabilities</b>                 | <b>87,821</b> | <b>65,835</b> | <b>69,951</b> | <b>51,730</b>       | <b>-</b>       | <b>266,383</b>         | <b>541,720</b> |
| Interest rate sensitivity gap            | (75,630)      | (29,735)      | 1,160         | 77,740              | 149,862        | (62,054)               | 61,343         |
| Cumulative interest rate sensitivity gap | (75,630)      | (105,365)     | (104,205)     | (26,465)            | 123,397        | 61,343                 | -              |

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|   | Company       |               |                |                     |               |                        |                |
|---|---------------|---------------|----------------|---------------------|---------------|------------------------|----------------|
|   | 2018          |               |                |                     |               |                        |                |
|   | 0-30 days     | 31-90 days    | 91-365 days    | 366 days to 5 years | Over 5 years  | Non interest sensitive | Total          |
|   | \$'000        | \$'000        | \$'000         | \$'000              | \$'000        | \$'000                 | \$'000         |
| Assets:   |               |               |                |                     |               |                        |                |
| Cash and bank                                   | -             | -             | -              | -                   | -             | 261                    | 261            |
| Resale agreements                               | -             | 5,500         | -              | -                   | -             | -                      | 5,500          |
| Investment securities                           | 21,651        | 449           | 10,426         | 28,133              | 42,580        | 14,248                 | 117,487        |
| Loans receivable                                | 270           | 1,150         | 8,426          | 11,505              | 3,679         | -                      | 25,030         |
| Other assets                                    | -             | -             | -              | -                   | -             | 2,326                  | 2,326          |
| Due from subsidiaries                           | -             | -             | -              | -                   | -             | 47                     | 47             |
| <b>Total assets</b>                             | <b>21,921</b> | <b>7,099</b>  | <b>18,852</b>  | <b>39,638</b>       | <b>46,259</b> | <b>16,882</b>          | <b>150,651</b> |
| Liabilities:                                    |               |               |                |                     |               |                        |                |
| Repurchase agreements                           | 1,654         | 2,730         | -              | -                   | -             | -                      | 4,384          |
| Notes payable                                   | -             | 1,806         | 26,801         | 30,971              | -             | 41,566                 | 101,144        |
| Other liabilities                               | -             | -             | -              | -                   | -             | 979                    | 979            |
| Due to related subsidiaries                     | -             | -             | -              | -                   | -             | 1,269                  | 1,269          |
| Due to related parties                          | -             | -             | -              | -                   | -             | 98                     | 98             |
| Preference shares                               | -             | -             | -              | -                   | -             | 16,416                 | 16,416         |
| <b>Total liabilities</b>                        | <b>1,654</b>  | <b>4,536</b>  | <b>26,801</b>  | <b>30,971</b>       | <b>-</b>      | <b>60,328</b>          | <b>124,290</b> |
| <b>Total interest rate sensitivity gap</b>      | <b>20,267</b> | <b>2,563</b>  | <b>(7,949)</b> | <b>8,667</b>        | <b>46,259</b> | <b>(43,446)</b>        | <b>26,361</b>  |
| <b>Cumulative interest rate sensitivity gap</b> | <b>20,267</b> | <b>22,830</b> | <b>14,881</b>  | <b>23,548</b>       | <b>69,807</b> | <b>26,361</b>          |                |

## 34. Financial instruments - risk management (continued)

### (d) Market risk (continued):

#### (ii) Interest rate risk (continued):

|   | Company         |                 |                 |                     |                |                        |                |
|---|-----------------|-----------------|-----------------|---------------------|----------------|------------------------|----------------|
|   | 2017            |                 |                 |                     |                |                        |                |
|   | 0-30 days       | 31-90 days      | 91-365 days     | 366 days to 5 years | Over 5 years   | Non interest sensitive | Total          |
|   | \$'000          | \$'000          | \$'000          | \$'000              | \$'000         | \$'000                 | \$'000         |
| Assets  |                 |                 |                 |                     |                |                        |                |
| Cash and bank                                   | -               | -               | -               | -                   | -              | 320                    | 320            |
| Investment securities                           | -               | -               | 12,045          | 9,238               | 69,172         | 21,607                 | 112,062        |
| Loans receivable                                | -               | -               | 10,291          | 8,308               | 289            | -                      | 18,888         |
| Other assets                                    | -               | -               | -               | -                   | -              | 2,262                  | 2,262          |
| Owed by related parties                         | -               | -               | -               | -                   | -              | 231                    | 231            |
| <b>Total assets</b>                             | <b>-</b>        | <b>-</b>        | <b>22,336</b>   | <b>17,546</b>       | <b>69,461</b>  | <b>24,420</b>          | <b>133,763</b> |
| Liabilities                                     |                 |                 |                 |                     |                |                        |                |
| Repurchase agreements                           | 13,545          | 1,300           | -               | -                   | -              | -                      | 14,845         |
| Notes payable                                   | 3,952           | -               | 53,980          | 29,383              | -              | -                      | 87,315         |
| Other liabilities                               | -               | -               | -               | -                   | -              | 2,100                  | 2,100          |
| Owed to related subsidiaries                    | -               | -               | -               | -                   | -              | 737                    | 737            |
| Owed to related parties                         | -               | -               | -               | -                   | -              | 1,094                  | 1,094          |
| Preference shares                               | -               | -               | -               | 15,977              | -              | -                      | 15,977         |
| <b>Total liabilities</b>                        | <b>17,497</b>   | <b>1,300</b>    | <b>53,980</b>   | <b>45,360</b>       | <b>-</b>       | <b>3,931</b>           | <b>122,068</b> |
| <b>Total interest rate sensitivity gap</b>      | <b>(17,497)</b> | <b>(1,300)</b>  | <b>(31,644)</b> | <b>(27,814)</b>     | <b>69,461</b>  | <b>20,489</b>          | <b>11,695</b>  |
| <b>Cumulative interest rate sensitivity gap</b> | <b>(17,497)</b> | <b>(18,797)</b> | <b>(50,441)</b> | <b>(78,255)</b>     | <b>(8,794)</b> | <b>11,695</b>          |                |

The table below summarises the effective interest rate by major currencies for financial instruments at the reporting date.

|                       | Group 2018   |       | Group 2017   |       |
|-----------------------|--------------|-------|--------------|-------|
|                       | JMD %        | USD % | JMD %        | USD % |
| Assets                |              |       |              |       |
| Resale agreements     | 3.29         | 2.01  | 3.06         | 1.8   |
| Investment securities | 3.75         | 6.65  | 7.51         | 5.18  |
| Loans receivable      | 6.60         | 2.96  | 6.62         | 4.83  |
| Liabilities           |              |       |              |       |
| Repurchase agreements | 2.82         | 1.07  | 3.16         | 1.00  |
| Notes payable         | 3.00         | 6.00  | 5.84         | 2.88  |
| Preference shares     | 8.25         | -     | 8.50         | -     |
|                       |              |       |              |       |
|                       | Company 2018 |       | Company 2017 |       |
|                       | JMD %        | USD % | JMD %        | USD % |
| Assets                |              |       |              |       |
| Resale agreements     | -            | 2.45  | -            | -     |
| Investment securities | 3.20         | 5.53  | -            | 5.87  |
| Loans receivable      | 3.34         | 2.96  | 7.63         | 4.83  |
| Liabilities           |              |       |              |       |
| Repurchase agreements | 3.50         | 1.50  | -            | 3.75  |
| Preference shares     | 8.25         | -     | 8.50         | -     |



# Notes to the Financial Statements

Year ended March 31, 2018

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## 34. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

### Sensitivity to interest rate movements

The following table indicates the sensitivity to interest rate movements 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.

|                              | Group               |               |                     |                |
|------------------------------|---------------------|---------------|---------------------|----------------|
|                              | 2018                |               | 2017                |                |
| J\$ interest rates           | Increase by 100 bps |               | Increase by 250 bps |                |
|                              | Decrease by 100 bps |               | Decrease by 100 bps |                |
| US\$ interest rates          | Increase by 50 bps  |               | Increase by 100 bps |                |
|                              | Decrease by 50 bps  |               | Decrease by 50 bps  |                |
|                              | 2018                |               | 2017                |                |
|                              | Effect on           | Effect on     | Effect on           | Effect on      |
|                              | <u>profit</u>       | <u>equity</u> | <u>profit</u>       | <u>equity</u>  |
|                              | \$'000              | \$'000        | \$'000              | \$'000         |
| Direction of change in basis |                     |               |                     |                |
| points:                      |                     |               |                     |                |
| Increase in interest rates   | 835                 | 3,430         | (1,344)             | 2,432          |
| Decrease in interest rates   | (419)               | <u>3,416</u>  | <u>716</u>          | <u>(1,347)</u> |

|                              | Company             |               |                     |               |
|------------------------------|---------------------|---------------|---------------------|---------------|
|                              | 2018                |               | 2017                |               |
| J\$ interest rates           | Increase by 100 bps |               | Increase by 250 bps |               |
|                              | Decrease by 100 bps |               | Decrease by 100 bps |               |
| US\$ interest rates          | Increase by 50 bps  |               | Increase by 100 bps |               |
|                              | Decrease by 50 bps  |               | Decrease by 50 bps  |               |
|                              | Effect on           | Effect on     | Effect on           | Effect on     |
|                              | <u>profit</u>       | <u>equity</u> | <u>profit</u>       | <u>equity</u> |
|                              | \$'000              | \$'000        | \$'000              | \$'000        |
| Direction of change in basis |                     |               |                     |               |
| points:                      |                     |               |                     |               |
| Increase in interest rates   | 101                 | 653           | (278)               | 885           |
| Decrease in interest rates   | <u>(101)</u>        | <u>(653)</u>  | <u>2</u>            | <u>(443)</u>  |

## 34. 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 maximise 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 \$3,040,000 (2017: \$3,877,000) for the Group and \$708,000 (2017: \$1,406,000) for the Company.

A 15% (2017: 10%) increase in stock prices at March 31, 2018 would have increased other comprehensive income by \$456,000 (2017: \$387,700) for the Group and \$106,200 (2017: \$140,600) for the Company; an equal change in the opposite direction would have decreased profit by an equal amount.

(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 Commission") in Jamaica and Financial Services Regulatory Authority ("the Authority") in St. Lucia.
- (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 Commission and the Authority. The required information is filed with the Commission on a monthly basis and with the Authority on a quarterly basis.

The Commission 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 Financial Statements

Year ended March 31, 2018  
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34. 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:

- (i) Tier 1 capital: issued and fully paid-up capital in the form of ordinary shares, retained earnings and reserves; and
- (ii) 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 Commission.

St. Lucia regulator requires each bank or the 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 the risk-weighted asset (the "Basel capital ratio") at or above the prescribed regulatory minimum and maintain a ratio of total regulatory Tier 1 capital to the risk-weighted asset (the "Basel capital adequacy ratio") at or above the prescribe regulatory minimum.

Regulatory capital for the St. Lucia subsidiary, as managed by its Treasury, is divided into two tiers:

- Tier 1 capital: share capital (net of any book value of treasury shares), minority interests arising on consolidation from interest on permanent equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

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.

34. 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 Commission and Authority. These ratios were in compliance with the requirements of the Commission and Authority throughout the year under review:

|   | <u>Proven Wealth Limited</u> |                | <u>Proven Fund Managers Limited</u> |                | <u>BOSLIL</u>  |                |
|---|------------------------------|----------------|-------------------------------------|----------------|----------------|----------------|
|   | <u>2018</u>                  | <u>2017</u>    | <u>2018</u>                         | <u>2017</u>    | <u>2018</u>    | <u>2017</u>    |
|   | \$'000                       | \$'000         | \$'000                              | \$'000         | \$'000         | \$'000         |
| <b>Tier 1 capital:</b>  |                              |                |                                     |                |                |                |
| Ordinary shares   | 532                          | 779            | 7,444                               | 8,396          | 5,521          | 5,000          |
| Retained earnings and reserves                                      | <u>19,604</u>                | <u>20,623</u>  | <u>( 3,930)</u>                     | <u>(4,651)</u> | <u>15,919</u>  | <u>13,472</u>  |
| Total qualifying tier 1 capital                                     | <u>20,136</u>                | <u>21,402</u>  | <u>3,514</u>                        | <u>3,745</u>   | <u>21,440</u>  | <u>18,472</u>  |
| <b>Tier 2 capital:</b>  |                              |                |                                     |                |                |                |
| Unrealised loss   | -                            | -              | -                                   | ( 1,918)       | 1,014          |                |
| Redeemable preference shares, Being Total qualifying tier 2 capital | <u>266</u>                   | <u>390</u>     | <u>-</u>                            | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| <b>Total regulatory capital</b>                                     | <u>20,402</u>                | <u>21,792</u>  | <u>3,514</u>                        | <u>3,745</u>   | <u>19,522</u>  | <u>19,486</u>  |
| <b>Total risk-weighted assets</b>                                   | <u>97,103</u>                | <u>127,840</u> | <u>1,868</u>                        | <u>2,031</u>   | <u>159,793</u> | <u>148,715</u> |

The Commission and the Authority requires the subsidiaries to maintain certain specific ratios, as follows:

|   | <u>Proven Wealth Limited</u> |               | <u>Proven Fund Managers Limited</u> |                | <u>BOSLIL</u> |               |
|---|------------------------------|---------------|-------------------------------------|----------------|---------------|---------------|
|   | <u>2018</u>                  | <u>2017</u>   | <u>2018</u>                         | <u>2017</u>    | <u>2018</u>   | <u>2017</u>   |
|   | \$'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>99.00%</u>                | <u>99.00%</u> | <u>100.00%</u>                      | <u>100.00%</u> |               |               |
| (ii) Regulatory capital to total assets:          |                              |               |                                     |                |               |               |
| Minimum required                                  | 6.00%                        | 6.00%         | 6.00%                               | 6.00%          |               |               |
| Actual  | <u>17.00%</u>                | <u>12%</u>    | <u>92.25%</u>                       | <u>86.63%</u>  |               |               |
| (iii) Regulatory capital to risk-weighted assets: |                              |               |                                     |                |               |               |
| Minimum required                                  | 10.00%                       | 10.00%        | 10.00%                              | 10.00%         |               |               |
| Actual  | <u>21.01%</u>                | <u>16.12%</u> | <u>186.27%</u>                      | <u>140.83%</u> |               |               |
| (iv) Basel capital ratio:                         |                              |               |                                     |                |               |               |
| Minimum required                                  |                              |               |                                     |                | 4%            | 4%            |
| Actual  |                              |               |                                     |                | <u>12.22%</u> | <u>12.14%</u> |
| (v) Basel capital adequacy ratio:                 |                              |               |                                     |                |               |               |
| Minimum required                                  |                              |               |                                     |                | 8%            | 8%            |
| Actual  |                              |               |                                     |                | <u>13.42%</u> | <u>13.10%</u> |

# Notes to the Financial Statements

Year ended March 31, 2018  
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35. Financial instruments – fair values

(a) Definition and measurement of fair values

The Group’s accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities. 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.

When measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the Group 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 available input data; the Group uses 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.

35. Financial instruments – fair values (continued)

(b) Valuation techniques for investment securities classified as Level 2

| Type                               | Valuation techniques  |
|------------------------------------|---|
| 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 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>Obtained 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> |

# Notes to the Financial Statements

Year ended March 31, 2018  
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35. 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. Where the carrying amounts of financial assets and financial liabilities are not measured at fair value, and those carrying amounts are a reasonable approximation of fair value, fair value information (including amounts, and levels in the fair value hierarchy) is not disclosed.

| <b>Group</b>                                   |                    |                |                |              |                |                |
|--|--------------------|----------------|----------------|--------------|----------------|----------------|
| 2018   |                    |                |                |              |                |                |
|  | Carrying amount    |                |                | Fair value   |                |                |
|  | Fair value through |                |                |              |                |                |
|  | Available for sale | profit or loss | Total          | Level 1      | Level 2        | Total          |
|  | \$'000             | \$'000         | \$'000         | \$'000       | \$'000         | \$'000         |
| <b>Financial assets measured at fair value</b> |                    |                |                |              |                |                |
| Quoted equities                                | 5,547              | 64             | 5,611          | 5,611        | -              | 5,611          |
| Credit linked notes                            | -                  | 1,998          | 1,998          | -            | 1,998          | 1,998          |
| Global bonds                                   | 210,510            | -              | 210,510        | -            | 210,510        | 210,510        |
| Government of Jamaica securities               | 31,757             | -              | 31,757         | -            | 31,757         | 31,757         |
| Corporate bonds                                | 72,520             | -              | 72,520         | -            | 72,520         | 72,520         |
| Mutual funds                                   | 10,977             | -              | 10,977         | -            | 10,977         | 10,977         |
| Certificate deposits                           | 21,381             | -              | 21,381         | -            | 21,381         | 21,381         |
| Commercial papers                              | 1,043              | -              | 1,043          | -            | 1,043          | 1,043          |
|  | <u>353,735</u>     | <u>2,062</u>   | <u>355,797</u> | <u>5,611</u> | <u>350,186</u> | <u>355,797</u> |
| 2017   |                    |                |                |              |                |                |
|  | Carrying amount    |                |                | Fair value   |                |                |
|  | Fair value through |                |                |              |                |                |
|  | Available for sale | profit or loss | Total          | Level 1      | Level 2        | Total          |
|  | \$'000             | \$'000         | \$'000         | \$'000       | \$'000         | \$'000         |
| <b>Financial assets measured at fair value</b> |                    |                |                |              |                |                |
| Quoted equities                                | 3,779              | 98             | 3,877          | 3,877        | -              | 3,877          |
| Global bonds                                   | 152,421            | -              | 152,421        | -            | 152,421        | 152,421        |
| Government of Jamaica securities               | 63,725             | -              | 63,725         | -            | 63,725         | 63,725         |
| Corporate bonds                                | 53,072             | -              | 53,072         | -            | 53,072         | 53,072         |
| Mutual funds                                   | 38,869             | -              | 38,869         | -            | 38,869         | 38,869         |
| Credit linked notes                            | 11,551             | 1,941          | 13,492         | -            | 13,492         | 13,492         |
| Certificate deposits                           | 4,523              | -              | 4,523          | -            | 4,523          | 4,523          |
| Commercial papers                              | 150                | -              | 150            | -            | 150            | 150            |
| Foreign currency forward                       | -                  | 70             | 70             | -            | 70             | 70             |
|  | <u>328,090</u>     | <u>2,109</u>   | <u>330,199</u> | <u>3,877</u> | <u>326,322</u> | <u>330,199</u> |

35. Financial instruments – fair values (continued)

(c) Accounting classifications and fair values (continued):

| <b>Company</b>                                 |                    |                |                |              |                |                |
|--|--------------------|----------------|----------------|--------------|----------------|----------------|
| 2018   |                    |                |                |              |                |                |
|  | Carrying amount    |                |                | Fair value   |                |                |
|  | Fair value through |                |                |              |                |                |
|  | Available for sale | profit or loss | Total          | Level 1      | Level 2        | Total          |
|  | \$'000             | \$'000         | \$'000         | \$'000       | \$'000         | \$'000         |
| <b>Financial assets measured at fair value</b> |                    |                |                |              |                |                |
| Quoted equities                                | 3,279              | -              | 3,279          | 3,279        | -              | 3,279          |
| Credit linked notes                            | -                  | 1,998          | 1,998          | -            | 1,998          | 1,998          |
| Global bonds                                   | 20,948             | -              | 20,948         | -            | 20,948         | 20,948         |
| Corporate bonds                                | 58,904             | -              | 58,904         | -            | 58,904         | 58,904         |
| Mutual funds                                   | 10,977             | -              | 10,977         | -            | 10,977         | 10,977         |
| Certificate of deposits                        | 21,381             | -              | 21,381         | -            | 21,381         | 21,381         |
|  | <u>115,489</u>     | <u>1,998</u>   | <u>117,487</u> | <u>3,279</u> | <u>114,208</u> | <u>117,487</u> |
| 2017   |                    |                |                |              |                |                |
|  | Carrying amount    |                |                | Fair value   |                |                |
|  | Fair value through |                |                |              |                |                |
|  | Available for sale | profit or loss | Total          | Level 1      | Level 2        | Total          |
|  | \$'000             | \$'000         | \$'000         | \$'000       | \$'000         | \$'000         |
| <b>Financial assets measured at fair value</b> |                    |                |                |              |                |                |
| Quoted equities                                | 1,406              | -              | 1,406          | 1,406        | -              | 1,406          |
| Credit linked notes                            | 11,551             | 1,941          | 13,492         | -            | 13,492         | 13,492         |
| Global bonds                                   | 24,511             | -              | 24,511         | -            | 24,511         | 24,511         |
| Corporate bonds                                | 51,270             | -              | 51,270         | -            | 51,270         | 51,270         |
| Mutual funds                                   | 21,313             | -              | 21,313         | -            | 21,313         | 21,313         |
| Foreign currency forward                       | -                  | 70             | 70             | -            | 70             | 70             |
|  | <u>110,051</u>     | <u>2,011</u>   | <u>112,062</u> | <u>1,406</u> | <u>110,656</u> | <u>112,062</u> |

36. Prior year adjustments

During 2018, the Group determined that the allowance for impairment of loans receivable was not considered in the deferred tax calculation for a subsidiary. As a consequence, deferred tax expense had been overstated and the deferred tax asset understated.

The errors have been corrected by restating the financial statements line for prior periods. The following tables summarise the impacts on the Group's consolidated financial statements:

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Year ended March 31, 2018  
(Presented in United States dollars, except as otherwise stated)

36. Prior year adjustments (continued)

(i) **Effect on consolidated statement of financial position**

|                                     | <b>2016</b>                  |                    |                |
|-------------------------------------|------------------------------|--------------------|----------------|
|                                     | As<br>previously<br>reported | <u>Adjustments</u> | As<br>restated |
|                                     | \$'000                       | \$'000             | \$'000         |
| Deferred tax asset                  | 440                          | 657                | 1,097          |
| Other assets                        | <u>347,946</u>               | <u>-</u>           | <u>347,946</u> |
| <b>Total assets</b>                 | <u>348,386</u>               | <u>657</u>         | <u>349,043</u> |
| <b>Total liabilities</b>            | <u>276,075</u>               | <u>-</u>           | <u>276,075</u> |
| Retained earnings                   | 9,400                        | 327                | 9,727          |
| Non-controlling interest            | 12,662                       | 330                | 12,992         |
| Other equity                        | <u>50,249</u>                | <u>-</u>           | <u>50,249</u>  |
| <b>Total equity</b>                 | <u>72,311</u>                | <u>657</u>         | <u>72,968</u>  |
| <b>Total liabilities and equity</b> | <u>348,386</u>               | <u>657</u>         | <u>349,043</u> |
|                                     |                              |                    |                |
|                                     | <b>2017</b>                  |                    |                |
|                                     | As<br>previously<br>reported | <u>Adjustments</u> | As<br>restated |
|                                     | \$'000                       | \$'000             | \$'000         |
| Deferred tax asset                  | 796                          | 917                | 1,713          |
| Other assets                        | <u>631,617</u>               | <u>-</u>           | <u>631,617</u> |
| <b>Total assets</b>                 | <u>632,413</u>               | <u>917</u>         | <u>633,330</u> |
| <b>Total liabilities</b>            | <u>543,473</u>               | <u>-</u>           | <u>543,473</u> |
| Retained earnings                   | 13,693                       | 456                | 14,149         |
| Non-controlling interest            | 17,860                       | 461                | 18,321         |
| Other equity                        | <u>57,387</u>                | <u>-</u>           | <u>57,387</u>  |
| <b>Total equity</b>                 | <u>88,940</u>                | <u>917</u>         | <u>89,857</u>  |
| <b>Total liabilities and equity</b> | <u>632,413</u>               | <u>917</u>         | <u>633,330</u> |

36. Restatement note for the comparative financial statement (continued)

(ii) **Effect on consolidated statement of profit or loss and other comprehensive income**

|                            | As<br>previously<br>reported | <u>Adjustments</u> | As<br>restated |
|----------------------------|------------------------------|--------------------|----------------|
|                            | <u>2017</u>                  | <u>2017</u>        | <u>2017</u>    |
|                            | \$'000                       | \$'000             | \$'000         |
| Profit before tax          | 12,419                       | -                  | 12,419         |
| Income tax charge          | ( 957)                       | <u>260</u>         | ( 697)         |
| Profit for the year        | <u>11,462</u>                | <u>260</u>         | <u>11,722</u>  |
| Total comprehensive income | <u>18,600</u>                | <u>260</u>         | <u>18,860</u>  |

(iii) There was no material impact on the Group's earnings per share and no impact on the total operating, investing or financing cash flows for the year ended March 31, 2017.

37. Subsequent events

(a) A dividend payment of US\$0.0012 per share was declared at the Board Meeting of Proven Investments Limited, which was held on May 25, 2018. Ordinary shareholders who have requested payment in Jamaica dollars will receive the equivalent of J\$0.15174 per share. This dividend payment will be made to all ordinary shareholders on record on June 8, 2018 and will be paid on June 26, 2018.

A dividend payment of J\$0.103125 was also declared for preference shareholders with a record date of June 8, 2018 and a payment date of June 15, 2018.

Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the ensuing financial year.

(b) Under the terms of a sale and purchase agreement dated December 21, 2017, the Group agreed to acquire 100% of the common shares of a licensed securities dealer with offices in the Cayman Islands and throughout the Caribbean. The offer is subject to regulatory approval in the various jurisdictions.



