

**THE INVESTMENT
MAGAZINE**

by: PROVEN Investments Limited

JUNE 2016 EDITION

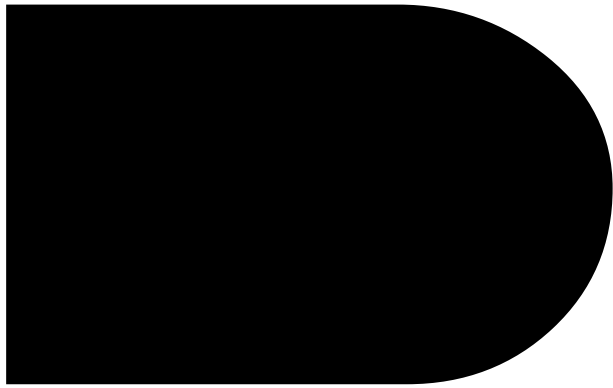


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UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2016

PROVEN INVESTMENTS LIMITED REPORTS UNAUDITED FINANCIAL RESULTS

The Board of Directors of PROVEN Investments Limited (“PIL”) is pleased to report its unaudited financial statements for the three months ended June 30, 2016.

FINANCIAL HIGHLIGHTS

US\$1.97 million	—	• Net Profit attributable to shareholders
US\$0.0036	—	• Earnings Per Share
US\$363 million	—	• Consolidated Total Assets
11.92%	—	• Annualized Return on Equity
55.9%	—	• Efficiency Ratio
US\$0.0027 per share	—	• Proposed Dividend

OPERATING ENVIRONMENT

The global market made a confident start to the second quarter of 2016 (2Q16), with much of the momentum from March’s recovery carrying into April and May. Positive economic data releases in developed markets along with ongoing policy support from most global central banks contributed to the upbeat start to the quarter. However, the UK’s decision via referendum to exit the European Union in late June ultimately overshadowed other market drivers by the end of 2Q16. The Leave vote from the UK took many investors by surprise and exacerbated market volatility in the days immediately after the result. The Sterling fell by over 11% on the 24th of June, while government bond yields were sharply lower. By the end of the quarter, the yield on the benchmark 10-year U.S. Treasury declined to 1.47%, from 1.79% on March 31.

The International Monetary Fund slightly adjusted its forecasts for global economic growth by 0.1% to 3.1% in 2016, although the impact of Brexit on foreign economies remains to be seen. Notwithstanding Brexit, the financial services sector is stabilizing, and improving worldwide demand and weaker currencies should aid certain regions. Also, rising oil prices fuelled gains in the energy sector as crude oil futures gained more than 25% over the quarter, ending the quarter above \$48.

In Europe, the European Central Bank’s (ECB) extremely aggressive asset purchase program is expected to boost growth gradually over the next couple of years. European government bonds rallied on expectations for interest rate reductions from the ECB, the Bank of England and potentially other central banks. The yield on Germany’s benchmark 10-year note moved into negative territory for the first time in history, ending the quarter at -0.13%. Also, following the Brexit vote, Standard

UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2016

& Poor's revoked the U.K.'s triple-A credit rating, citing the resulting political and economic uncertainty.

The U.S economic environment was affected by several factors, including very weak job growth and Brexit. While many segments of the U.S. economy have remained resilient, the downturn in recent employment data was surprising, however a rebound in the job market is expected throughout the remainder of the year. At its most recent meeting in June, the Federal Open Market Committee (FOMC) stood still by deciding not to increase the target fed funds rate from the current range of 0.25% to 0.50%. The FOMC also reduced its growth outlook, as well as the expected fed funds rate for 2017 and 2018.

In the wake of Brexit, the International Monetary Fund (IMF) cut its forecasts for economic growth in Latin America and the Caribbean by 1% over the next two years to 0.3 and 1.5 per cent respectively. The Jamaican economy recorded a modest but steady growth rate of 0.8% in the first quarter of 2016 as a result of all service industries, except for government services, recording growth. The improvement of Jamaica's economic conditions was recognized in June, when the IMF completed Jamaica's eleventh and twelfth reviews under the Extended Fund Facility. The Fund also confirmed that the country had met most of the targets of the agreement.

Looking forward, the impact of the Brexit and its consequences should continue to dominate the headlines in the coming months. Volatility in the global markets is likely to persist in the short term, which will rattle economic sentiment, particularly in the Euro area and the United Kingdom. Furthermore, this situation should result in the continued cautious stance by the United States Federal Reserve, which will likely push back the timing of the next Fed hike. The longer term effects of Brexit on the U.S economy are uncertain, however, it is not expected to have a materially adverse impact.

FINANCIAL PERFORMANCE

PROVEN Investments Limited experienced top-line growth in the quarter ended June 30 2016. The group experienced a 25.71% increase in Net Revenue to US\$7.09 million versus US\$5.64 million earned in the quarter ending June 2015. The increase in Net Revenue was the result of the increase in fees & commissions and foreign exchange gains as a result of the strengthening of the US dollar over the quarter. Net Profit attributable to shareholders for the quarter ended June 30, 2016 amounted to US\$1.97 million. This represents an increase of 48.42% from US\$1.32 million earned in the same period last year.

UNAUDITED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2016

1. Carry Trade

Spread income was the major contributor to revenue during the period, as the carry trade strategy performed well. Net interest income increased by 7.3% to US\$3.67 million for the year, from US\$3.42 million for the same period last year. While dividend income declined 18.63% to US\$0.37 million from US\$0.46 million for the prior period, due to the realignment of the investment portfolio during the quarter.

2. Portfolio Positioning

Realised gains from the trading of securities for the quarter amounted to US\$0.31 million, decreasing by 11.18% when compared to US\$0.34 million for the same period last year. Net foreign exchange gains increased by 154.65%, to US\$1.29 million from US\$0.51 million for the quarter ending June 2015, as a result of the over 8% devaluation of the Jamaican Dollar versus the US Dollar during the quarter when compared with that for last year.

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

3. Private Equity

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

PROVEN Wealth Limited

PROVEN Wealth Limited ("PWL") had a successful year, experiencing significant growth in profits up to US\$1.1 million. As the firm continues its strategy to offer innovative investment products to clients, and reduce the issue of repurchase agreements the balance sheet experienced an overall 14% contraction. Total Assets under management as at June 30, 2016 stood at J\$117.4 billion.

UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2016

3. Private Equity - Continued

PWL Transition Limited

Formerly First Global Financial Services, continues to be a formidable player in fund management and administration. Profitability improved during the quarter ended June 2016 as a result of improved efficiency following the amalgamation with Proven Wealth Limited. Net profits for the quarter was US\$0.20 million while total assets stood at US\$3.48 million as June 30, 2016.

Access Financial Services Limited

AFS contributed considerably to the results of the Group during the quarter, producing net profits of US\$1.30 million for the quarter ended June 30, 2016, representing a 17% increase in US dollar terms over the prior year results. The loan portfolio was US\$18.1 million as at June 30, 2016, representing a 5.2% increase for the quarter.

PROVEN REIT Limited

PROVEN REIT Limited is now a wholly owned subsidiary of Proven Investments Limited. Having successfully completed and sold the residential development on Kingsway Avenue in Kingston, Jamaica, the company is now embarking on two additional residential developments. The company also continues to closely monitor the local and international real estate markets for new opportunities.

4. Operating Expenses

For the quarter ending June 2016, consolidated operating expenses increased by 15.32% to US\$3.96 million from US\$3.43 million in the prior year period. However, the Efficiency Ratio, including all income and expense items, also decreased to 55.87% compared to 60.91% for the same period last year as a result of increase in Net Revenue. Over the coming quarters, expense management and consolidation will be a key focus of management, as we seek to get the efficiency ratio closer to the 50% target.

5. Net Profit

Net Profit attributable to shareholders totalled US\$1.97 million or 0.36 cents per share versus US\$1.32 million or 0.27 cents per share in the quarter ended June 2015. This represents an annualized Return on Equity of 11.92% for the quarter ending June 30, 2016.

“The only source
of knowledge
is experience.”

Albert Einstein

PROVEN

WEALTH

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UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2016

6. Balance Sheet

Total assets amounted to US\$362.77 million as of June 30, 2016, down from US\$380.25 million as of June 30, 2015. Total liabilities reduced to US\$283.86 million as at June 30, 2016 from US\$298.31 million as of June 30, 2015, mainly as a result of the large reduction in client’s liabilities with Proven Wealth Limited to US\$163.24 from US\$183.66 in the same period of last year. Notes payable was also reduced to US\$89.87 million from US\$91.61 million for the same period last year.

7. Shareholder’s Equity

Shareholder’s Equity attributable to the owners of the company increased by 10.62% from US\$59.65 million as of March 31, 2016 to US\$65.98 million as of June 30, 2015 in line with an increase in Retained Earnings and a positive change in the Investment Revaluation Reserve during the quarter, following the recovery in the bond market.

8. Dividend Payment

The Board of Directors has approved a final dividend payment of US\$0.0027 per share to all ordinary shareholders on record as at August 11, 2016 to be paid on August 25, 2016. This represents an annualized tax-free dividend yield of 6.27% based on the average share price of US\$0.1722 for the quarter ended June 30, 2016.

PROVEN Investments Limited takes this opportunity to thank all of our stakeholders for your support and trust. Our continued success is as a result of the dedication of our Directors, Management and Staff and we thank them for their loyalty and commitment.



Director



Director

PROVEN

Investments Limited

We would like to take this opportunity to thank all of our stakeholders for your support and trust.

Our continued success is as a result of the dedication of our Directors, Management and Staff and we thank them for their loyalty and commitment.

"For me, it's knowing that I can make someone feel better and for them to know that someone cares. That makes hard work worth it."

-Lorriane Hutchinson, Nurse



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THE UN-AUDITED STATEMENTS

FOR THE SIX MONTHS ENDED
JUNE 30, 2016

UN-AUDITED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2016

UN-AUDITED STATEMENT OF INCOME FOR THE QUARTER ENDED JUNE 30, 2016

	Quarter ended June 2016	Quarter ended June 2015	Year ended March 2016
	US\$	US\$	US\$
INCOME			
Interest Income	6,355,906	6,614,104	26,469,156
Interest expense	(2,681,031)	(3,190,795)	(12,835,027)
Net Interest income	<u>3,674,875</u>	<u>3,423,309</u>	<u>13,634,128</u>
Other income			
Gains on securities trading	305,416	343,860	271,694
Dividend Income	371,174	456,170	1,323,305
Fees & Commissions	1,040,409	728,812	3,837,937
Foreign exchange translation gains/(losses)	1,287,351	505,545	1,512,553
Other Income	408,283	179,200	576,726
	<u>3,412,633</u>	<u>2,213,587</u>	<u>7,522,216</u>
NET REVENUE	7,087,508	5,636,896	21,156,345
OPERATING EXPENSES			
Preference dividend	489,113	304,214	331,112
Impairment of Investment	-	-	1,744,185
Administrative and General Expenses	3,470,382	3,129,271	14,466,750
	<u>3,959,495</u>	<u>3,433,485</u>	<u>16,542,047</u>
OPERATING PROFIT	3,128,013	2,203,411	4,614,298
Share of Results of Associates	-	40,857	107,640
Profit before income tax	3,128,013	2,244,268	4,721,938
Income tax	(575,683)	(436,208)	(438,695)
NET PROFIT AFTER TAX	<u>2,552,330</u>	<u>1,808,060</u>	<u>4,283,243</u>
Less income attributable to non-controlling interest	(586,441)	(483,537)	(1,939,705)
Profit attributable to owners of the company	<u>1,965,889</u>	<u>1,324,523</u>	<u>2,343,538</u>
EARNINGS PER STOCK UNIT - US cents	0.36	0.27	0.44

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2016

UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED JUNE 30, 2016

	Quarter ended June 2016	Quarter ended June 2015	Year ended March 2016
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
NET PROFIT	2,552,330	1,808,060	4,283,243
OTHER COMPREHENSIVE INCOME			
Items that are or may be reclassified to profit or loss:			
Unrealised Gain/(loss) on available-for-sale investments	6,346,082	(1,046,870)	(8,601,327)
Foreign exchange translation reserve	(1,431,655)	(581,224)	(2,306,088)
Total Comprehensive income	<u><u>7,466,757</u></u>	<u><u>179,966</u></u>	<u><u>(6,624,172)</u></u>

UN-AUDITED STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

UN-AUDITED STATEMENT OF FINANCIAL POSITION JUNE 30, 2016

	June 2016 US\$	June 2015 US\$	March 2016 US\$
ASSETS			
Cash and cash equivalents	8,570,087	12,808,180	12,825,709
Available-for-sale investments	294,319,443	300,698,982	285,011,918
Investment in Associates	-	992,041	-
Loans Receivable	24,093,144	24,873,271	23,552,353
Other Receivables	8,308,816	14,211,248	7,591,367
Related Company	-	2,594,304	-
Property Development In Progress	615,767	1,438,028	722,925
Investment Property	6,531,156	407,147	4,812,108
Intangible Assets	19,709,817	21,448,587	19,862,369
Property, plant and equipment	623,144	775,647	586,567
Total Assets	362,771,374	380,247,435	354,965,316
LIABILITIES			
Client liabilities	163,234,230	183,658,538	164,482,867
Related company	1,099,394	-	921,005
Notes Payable	89,867,070	91,605,837	91,790,585
Preference shares	7,692,315	8,332,444	7,977,683
Other liabilities	21,971,207	14,712,431	17,481,829
Total Liabilities	283,864,216	298,309,250	282,653,969
SHARE HOLDERS' EQUITY			
Share capital	69,248,762	69,248,761	69,248,762
Investment revaluation reserve	(6,843,675)	(5,635,629)	(13,189,757)
Foreign exchange translation	(7,240,659)	(4,084,228)	(5,809,004)
Retained earnings	10,817,767	10,751,830	9,399,347
Total Shareholder's Equity	65,982,195	70,280,734	59,649,348
Minority Interest	12,924,963	11,657,451	12,661,999
Total Shareholder's Equity and Liabilities	362,771,374	380,247,435	354,965,316

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



Director



UN-AUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

UN-AUDITED STATEMENT OF CASH FLOWS FOR THE QUARTER ENDED JUNE 30 2016

	Period ended June 2016	Period ended June 2015	Year ended March 2016
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit	1,965,889	1,324,523	2,343,538
Foreign Exchange Translation	(1,156,426)	(581,224)	(2,306,000)
Depreciation and Ammortization	321,043	86,614	1,896,828
Income Tax Charge	575,683	436,208	438,695
Operating cashflow before movements in working capital	<u>1,706,189</u>	<u>1,266,121</u>	<u>2,373,061</u>
Changes in operating assets and liabilities			
Receivables	(396,811)	2,521,465	8,034,963
Client Liabilities	10,593,310	(152,389)	33,752,542
Payables	2,573,487	(7,779,695)	(22,423,359)
Related company	178,389	(2,826,212)	689,098
Net cash provided by operating activities	<u>14,654,564</u>	<u>(6,970,710)</u>	<u>22,426,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans	(540,791)	884,814	2,205,728
Investments in subsidiary	-	-	-
Investments in associates	-	(45,857)	946,184
Purchase of property ,plant and equipment	(97,910)	(98,178)	582,009
Investments	(15,777,464)	(15,354,080)	(46,189,860)
Cash used in investing activities	<u>(16,416,165)</u>	<u>(14,613,301)</u>	<u>(42,455,939)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Notes payable	(1,923,514)	(4,851,054)	(4,666,305)
Issue of Preference Shares	(285,368)	(141,868)	(496,629)
Minority Interest	262,330	201,909	1,206,458
Dividend Paid	(547,469)	(992,875)	(3,364,260)
Issue of Ordinary Shares	-	29,268,358	29,268,359
Net cash provided by/ (used in) financing activities	<u>(2,494,021)</u>	<u>23,484,470</u>	<u>21,947,623</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(4,255,622)</u>	<u>1,900,459</u>	<u>1,917,989</u>
Cash and cash equivalents at beginning of period	12,825,709	10,907,722	10,907,721
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>8,570,087</u></u>	<u><u>12,808,180</u></u>	<u><u>12,825,709</u></u>

UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016

JUNE 30, 2016

	Share capital	Minority Interest	Fair value reserves	Foreign exchange translation	Retained earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at April 1, 2016	69,248,761	12,661,999	(13,189,757)	(5,809,004)	9,399,347	72,311,347
Total Comprehensive Income for the period		586,441	6,346,082	(1,431,655)	1,965,889	7,466,757
Adjustment to NCI without a change in control		(150,000)				(150,000)
Dividends to equity holders		(173,477)			(547,469)	(720,946)
Balance at June 30, 2016	<u>69,248,761</u>	<u>12,924,963</u>	<u>(6,843,675)</u>	<u>(7,240,659)</u>	<u>10,817,767</u>	<u>78,907,158</u>

JUNE 30, 2015

	Share capital	Minority Interest	Fair value reserves	Foreign exchange translation	Retained earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance at April 1, 2015	39,980,403	11,455,542	(4,588,759)	(3,503,004)	10,420,069	53,764,252
Total Comprehensive Income for the period		483,537	(1,046,870)	(581,224)	1,324,633	180,076
Issue of Shares	29,268,358					29,268,358
Transfer to Controlling Interest		(98,871)				(98,871)
Dividends to equity holders		(182,757)			(992,875)	(1,175,632)
Balance at June 30, 2015	<u>69,248,761</u>	<u>11,657,451</u>	<u>(5,635,629)</u>	<u>(4,084,228)</u>	<u>10,751,827</u>	<u>81,938,183</u>

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. Identification

PROVEN Investments Limited (“the Company”) is incorporated in Saint Lucia under the International Business Companies Act. The Company is domiciled in Saint Lucia, with registered office at 20 Micoud Street, Castries, Saint Lucia.

The primary activities of the Company are the holding of tradable securities for investment purposes and holding other investments.

Subsidiaries	Country of incorporation	Nature of Business	Percentage Ownership	
			2016	2015
PROVEN Wealth Limited	Jamaica	Fund management, investment advisory services, and money market and equity trading.	100	100
PROVEN REIT Limited and its wholly owned subsidiary:	St. Lucia	Real Estate Investment	100	85
PROVEN Kingsway	St. Lucia	Real Estate Investment	100	100
Asset Management Company Limited	Jamaica	Hire Purchase Financing	100	100
PROVEN Wealth Transition Limited	Jamaica	Pension funds management	100	—
Access Financial Services	Jamaica	Retail Lending	49.72	49.72

2. Statement of Compliance and Basis of Preparation

Interim Financial Reporting

The condensed consolidated interim financial statements for the three months ended June 30, 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2016 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

There have been no changes in accounting policies since the most recent audited accounts as at March 31, 2016.

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, applicable to its operations. The nature and effects of the changes are as follows:

- **Amendment to IAS 1, Presentation of Financial Statements, entitled "IAS 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income",** which led to the following changes in the financial statements:
- **Items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that would never be reclassified to profit or loss.**

Basis of Measurement

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

Functional and presentation currency

The financial statements are presented in United States dollars (US\$), which is the functional currency of the Company, unless otherwise indicated. The financial statements of the subsidiaries, which has the Jamaica dollar as its functional currency, are translated into US\$. All financial information has been rounded to the nearest thousand.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 – Continued

Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the period then ended. Actual amounts could differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant Accounting Policies

3. Basis of Consolidation

The consolidated financial statements combine the financial position, results of operations and cash flows of the Company and its subsidiaries (note 1), subject to the eliminations described at note 3(b).

3(a) Subsidiaries

Subsidiaries are all entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, or exercisable after conversion of convertible instruments, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3(b). Transactions eliminated on consolidation:

Intra-Group balances and any unrealised gains and losses and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment of the Group's interest.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 – Continued

Significant Accounting Policies

4. Investments

Available-For-Sale Financial Assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale and are carried at fair value except for unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Investments at Fair Value Through Profit or Loss

The Group carries some investment securities at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, and that the Group does not intend to sell immediately or in the near term. Loans and receivables are measured at amortized cost using the effective interest method, except when the Group chooses to designate the loans and receivables at fair value through profit or loss.

5. Resale Agreements

The company purchases government and corporate securities and agrees to resell them at a specified date at a specified price. On making payment the company takes delivery of the securities from the vendor although title is not transferred unless the company does not resell the securities on the specified date or other conditions are not honoured. Resale agreements result in credit exposure, in that the counterparty to the transaction may be unable to fulfil its contractual obligations.

Significant Accounting Policies Continued

6. Interest Income

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

7. Interest Expense

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount. The effective interest rate is established on initial recognition of the financial liability and not revised subsequently. Interest expense includes coupons paid on fixed rate liabilities and accretion of discount or amortization of premium on instruments issued at other than par.

8. Share Capital

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

(i) equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary; in such a case, dividends thereon are recognised as distributions within equity;

(ii) liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary; in such a case dividends thereon are recognised as interest in profit or loss.

The Group's preference shares bear contractual entitlements to dividends that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as a financial liability.

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

Significant Accounting Policies Continued

9. Gain on the Purchase of Subsidiary

On May 30, 2014, Proven Investments Limited acquired the entire issued share capital of First Global Financial Services Limited, now PWL Transition Limited, with the Group's main objective being to invest its capital for the ultimate benefit of the shareholders.

The valuations of the acquired tangible and intangible assets have not yet been finalised. IFRS 3 allows the acquirer reasonable time to obtain information necessary to identify and measure identifiable assets acquired and liabilities assumed. Management has utilized these provisions and expects that this assessment will be concluded by the end of the financial year. The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Consideration transferred:

US\$'000

Cash 18,181,630

Identifiable assets acquired and liabilities assumed

\$'000

Cash and cash equivalents	1,377,868
Available-for-sale investments	180,407,269
Other Receivables	4,775,519
Investment Property	1,156,575
Intangible Assets	6,425,517
Property, plant and equipment	121,684
Client liabilities	(162,106,191)
Notes Payable	(5,885,573)
Other liabilities	<u>(3,855,618)</u>
	<u>22,417,050</u>

Gain on Purchase of Subsidiary

Gain on purchase of subsidiary was recognised as a result of the acquisition as follows:

US\$'000

Total consideration transferred	18,181,630
Less value of identifiable assets	<u>(22,417,050)</u>
Gain on purchase of subsidiary	<u>(4,235,420)</u>

Significant Accounting Policies Continued

10. Investment in Subsidiaries

(i) Acquisition of Access Financial Services Limited

PROVEN Investments Limited acquired 49.72% of the issued shares of Access Financial Services Limited ("Access"), obtaining control in the process. The principal activity of Access is retail lending to the microenterprise sector for personal and business purposes. The acquisition is expected to provide an enhanced level of income, above-average returns, and preservation of capital for shareholders of the Company.

(ii) Acquisition of Access Financial Services Limited (cont'd)

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred:

	US\$'000
Cash	10,444

Identifiable assets acquired and liabilities assumed

	\$'000
Cash and cash equivalents	1,118
Investments	18
Loans receivable	9,487
Intangible assets	52
Property, plant and equipment	617
Deferred tax asset	11
Other assets	138
Notes payable	(2,777)
Income tax payable	(52)
Other liabilities	<u>(1,512)</u>
Net assets	7,100
Intangible asset	6,865
Goodwill acquired	<u>7,633</u>
	21,598
Less: Non-controlling interest	<u>10,958</u>
Total consideration on acquisition	<u><u>10,640</u></u>

Significant Accounting Policies Continued

10. Investment in Subsidiaries Continued

(ii) Acquisition of Access Financial Services Limited (cont'd)

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Cash consideration	10,640
Cash acquired	<u>(1,118)</u>
Net cash outflow arising on the acquisition	<u><u>9,522</u></u>

Purchased goodwill

Goodwill was recognised as a result of the acquisition, as follows:

	\$'000
Total consideration transferred	10,640
Fair value of non-controlling interest	10,958
Intangible assets acquired in business combination	<u>(6,865)</u>
Less: Fair value of identifiable assets	<u>(7,100)</u>
Goodwill on purchase of subsidiary	<u><u>7,633</u></u>

The goodwill is attributable mainly to the value of brands/trademarks and customer relationships.

11. Earnings per Stock Unit

PROVEN Investments Limited's Earning per Stock Unit "EPS" is computed by dividing the profit attributable to stockholders of the parent of US\$ 1,965,889 by the weighted average number of ordinary stock units in issue during the reporting period numbering 551,595,777 shares.

PROVEN

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