



## **KPMG**

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## **INDEPENDENT AUDITORS' REPORT**

### **To the Members of PROVEN INVESTMENTS LIMITED**

#### *Opinion*

We have audited the separate financial statements of Proven Investments Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 9 to 79 which comprise the group's and company's statements of financial position as at March 31, 2017, 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, 2017, and of 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.



**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. Acquisition of *The Bank of St Lucia International Limited*

<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>Accounting for The Bank of St. Lucia International Limited (BOSLIL) as a subsidiary transaction required significant judgement and estimation to determine the fair value of BOSLIL as an enterprise; the net assets acquired; non-controlling interest; and the net gain arising on the transaction, in accordance with IFRS 3 <i>Business Combinations</i>. The determination of fair values involved judgment in the application of discounted cash flow analysis, including the projected cash flows, discount rates reflecting the business risk and capital structure. These measurements, being judgemental, are therefore, subject to higher risk of error.</p> <p><i>See note 9 of the Financial statements.</i></p>	<p>In performing our audit in respect of this matter, we did the following:</p> <ul style="list-style-type: none"> <li>• Involved our own valuation specialists in challenging the valuation methodologies and assumptions used by management's valuation expert to identify and measure the enterprise value and net assets, including intangible assets and investment securities. We considered historical customer retention rates and growth trends, and reconciled underlying data to customer contracts and relationship databases;</li> <li>• Evaluated the identification and reasonableness of valuations determined by management's for investment securities, by obtaining market prices from reputable sources and comparing to management prices.</li> <li>• Tested the mathematical accuracy of the calculations performed by management's expert and which formed the basis of accounting measurement for the transaction.</li> </ul>



**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

**To the Members of  
PROVEN INVESTMENTS LIMITED**

*Key Audit Matters (Continued)*

2. *Impairment of goodwill and intangible assets*

<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<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 test 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)*

3. *Valuation of investment securities and derivatives*

<b>Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<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>See Notes 5 and 34 of the financial statements.</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 in assessing 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 fair value 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>



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## **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 group and 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.



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**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 7-8, forms part of our auditors' report.

The engagement partner on the audit resulting in this independent auditors' report is Brian Glasgow.

A handwritten signature in black ink, appearing to read 'KPMG', with a long horizontal line extending to the right.

May 26, 2017  
Kingstown, Saint Vincent and the Grenadines



**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.



**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.



PROVEN INVESTMENTS LIMITED

## Group Statement of Financial Position

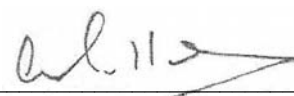
Year ended March 31, 2017

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

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>ASSETS</b>			
Cash and cash equivalents	3(c)(ii)	151,314	13,721
Resale agreements	4	38,498	38,767
Investment securities	5	362,259	232,158
Inventory		-	643
Loans receivable	6	39,421	24,993
Other assets	7	11,571	10,602
Owed by related parties	14	-	338
Income tax recoverable		51	51
Property development in progress	8	200	210
Investment property	10	6,148	6,013
Intangible assets	11	21,190	19,853
Property, plant and equipment	12	965	597
Deferred tax asset	19	<u>796</u>	<u>440</u>
Total assets		<u>632,413</u>	<u>348,386</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities:			
Repurchase agreements	13	142,999	159,830
Due to related parties	14	949	-
Notes payable	15	96,687	96,529
Current income tax payable		1,623	198
Other liabilities	16	12,843	11,540
Due to banks		2,210	-
Due to customers	17	270,055	-
Deferred income		130	-
Preference shares	18	<u>15,977</u>	<u>7,978</u>
Total liabilities		<u>543,473</u>	<u>276,075</u>
Stockholders' equity:			
Share capital	20	69,248	69,248
Fair value reserve	21	( 4,297)	( 13,190)
Foreign exchange translation reserve	22	( 7,564)	( 5,809)
Retained earnings		<u>13,693</u>	<u>9,400</u>
Equity attributable to owners of the company		71,080	59,649
Non-controlling interest	23	<u>17,860</u>	<u>12,662</u>
Total stockholders' equity		<u>88,940</u>	<u>72,311</u>
Total liabilities and shareholders' equity		<u>632,413</u>	<u>348,386</u>

The financial statements on pages 9 to 79 were approved for issue by the Board of Directors on May 26, 2017 and signed on its behalf by:

  
 \_\_\_\_\_ Director  
 Garfield Sinclair

  
 \_\_\_\_\_ Director  
 Jeffrey Gellineau

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

PROVEN INVESTMENTS LIMITEDGroup Statement of Profit or Loss and Other Comprehensive Income  
Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>Net interest income and other revenue</b>			
Interest income	24	24,149	25,726
Interest expense	24	( 9,646)	(12,000)
		14,503	13,726
Dividends		1,357	1,325
Fees and commissions		2,368	2,042
Net fair value adjustments and realised gains/(losses)	25	1,720	( 1,035)
Net foreign exchange gains		1,902	1,503
Pension management income		<u>1,966</u>	<u>1,887</u>
<b>Operating revenue, net of interest expense</b>		23,816	19,448
<b>Other income</b>		<u>1,006</u>	<u>1,548</u>
Total		<u>24,822</u>	<u>20,996</u>
<b>Operating expenses</b>			
Staff costs	26	8,310	4,506
Depreciation and amortisation	11,12	1,343	1,887
Impairment losses of loans and other assets	6,7	1,156	889
Impairment (reversal)/loss on investments		( 921)	1,744
Property expenses		565	844
Other operating expenses	27	<u>7,796</u>	<u>6,969</u>
Total		<u>18,249</u>	<u>16,839</u>
<b>Operating profit</b>		6,573	4,157
Preference share dividend	29(f)	( 2,184)	( 331)
Gain on acquisition of subsidiary	9(a)	8,030	-
Gain on disposal of associate	9(d)	<u>-</u>	<u>896</u>
<b>Profit before income tax</b>		12,419	4,722
<b>Income tax charge</b>	28	( 957)	( 439)
<b>Profit for the year</b>		<u>11,462</u>	<u>4,283</u>
Profit attributable to:			
Owners of the company		8,721	2,344
Non-controlling interest		<u>2,741</u>	<u>1,939</u>
Profit for the year		<u>11,462</u>	<u>4,283</u>
Earnings per stock unit	30	<u>1.58¢</u>	<u>0.44¢</u>

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

PROVEN INVESTMENTS LIMITEDGroup Statement of Profit or Loss and Other Comprehensive Income  
Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*

	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>Profit for the year</b>	<u>11,462</u>	<u>4,283</u>
<b>Other comprehensive income/(loss)</b>		
Items that are or may be reclassified to profit or loss:		
Realised gains on available-for-sale securities	10,756	2,216
Unrealised losses on available-for-sale securities, net of tax	( 1,139)	(12,788)
Impairment loss on available for sale investment	-	1,744
Deferred tax on unrealised gains on available-for-sale securities	( 724)	227
Exchange differences on translation of foreign operations	<u>( 1,755)</u>	<u>( 2,306)</u>
Total other comprehensive income/(loss)	<u>7,138</u>	<u>(10,907)</u>
<b>Total comprehensive income/(loss) for the year</b>	<u>18,600</u>	<u>( 6,624)</u>
Total comprehensive income/(loss) attributable to:		
Owners of the company	15,859	( 8,563)
Non-controlling interests	<u>2,741</u>	<u>1,939</u>
Total comprehensive income/(loss) for the year	<u>18,600</u>	<u>( 6,624)</u>

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

PROVEN INVESTMENTS LIMITEDGroup Statement of Changes in Equity  
Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*

	Share capital \$'000 (note 20)	Fair value reserve \$'000 (note 21)	Foreign exchange translation reserve \$'000 (note 22)	Retained earnings \$'000	Attributable to equity holders of the Company \$'000	Non- controlling interest \$'000	Total \$'000
<b>Balances at March 31, 2015</b>	<u>39,980</u>	<u>( 4,589)</u>	<u>(3,503)</u>	<u>10,420</u>	<u>42,308</u>	<u>11,456</u>	<u>53,764</u>
Total comprehensive loss for the year							
Profit for the year	-	-	-	<u>2,344</u>	<u>2,344</u>	<u>1,939</u>	<u>4,283</u>
Other comprehensive loss for the year							
Foreign exchange differences on translation of foreign subsidiary's financial statements	-	-	<u>(2,306)</u>	-	<u>( 2,306)</u>	-	<u>( 2,306)</u>
Realised gain on available-for-sale securities	-	<u>2,216</u>	-	-	<u>2,216</u>	-	<u>2,216</u>
Unrealised losses on fair value of available-for-sale securities	-	<u>(12,788)</u>	-	-	<u>(12,788)</u>	-	<u>(12,788)</u>
Impairment loss on available-for-sale security reclassified to profit or loss	-	<u>1,744</u>	-	-	<u>1,744</u>	-	<u>1,744</u>
Deferred tax credit on unrealised losses	-	<u>227</u>	-	-	<u>227</u>	-	<u>227</u>
	-	<u>( 8,601)</u>	<u>(2,306)</u>	-	<u>(10,907)</u>	-	<u>(10,907)</u>
Total comprehensive loss for the year	-	<u>( 8,601)</u>	<u>(2,306)</u>	<u>2,344</u>	<u>( 8,563)</u>	<u>1,939</u>	<u>( 6,624)</u>
Transactions with owners recorded directly in equity							
Issue of ordinary shares (note 20)	<u>29,268</u>	-	-	-	<u>29,268</u>	-	<u>29,268</u>
Dividends to equity holders (note 31)	-	-	-	<u>( 3,364)</u>	<u>( 3,364)</u>	<u>( 616)</u>	<u>( 3,980)</u>
Change in ownership interest							
Acquisition of non-controlling interest without change in control	-	-	-	-	-	<u>( 117)</u>	<u>( 117)</u>
<b>Balances at March 31, 2016</b>	<u>69,248</u>	<u>(13,190)</u>	<u>(5,809)</u>	<u>9,400</u>	<u>59,649</u>	<u>12,662</u>	<u>72,311</u>
Total comprehensive income for the year							
Profit for the year	-	-	-	<u>8,721</u>	<u>8,721</u>	<u>2,741</u>	<u>11,462</u>
Other comprehensive loss for the year							
Foreign exchange differences on translation of foreign subsidiary's financial statements	-	-	<u>(1,755)</u>	-	<u>( 1,755)</u>	-	<u>( 1,755)</u>
Realised gains on available-for-sale securities	-	<u>10,756</u>	-	-	<u>10,756</u>	-	<u>10,756</u>
Unrealised losses on fair value of available-for-sale securities	-	<u>( 1,139)</u>	-	-	<u>( 1,139)</u>	-	<u>( 1,139)</u>
Deferred tax charge on unrealised losses	-	<u>( 724)</u>	-	-	<u>( 724)</u>	-	<u>( 724)</u>
Other comprehensive loss for the year, net of tax	-	<u>8,893</u>	<u>(1,755)</u>	-	<u>7,138</u>	-	<u>7,138</u>
Total comprehensive income for the year	-	<u>8,893</u>	<u>(1,755)</u>	<u>8,721</u>	<u>15,859</u>	<u>2,741</u>	<u>18,600</u>
Transactions with owners recorded directly in equity							
Dividends to equity holders (note 31)	-	-	-	<u>( 4,360)</u>	<u>( 4,360)</u>	<u>( 705)</u>	<u>( 5,065)</u>
Change in ownership interest							
Acquisition of non-controlling interest without a change in control	-	-	-	-	-	<u>3,244</u>	<u>3,244</u>
Acquisition of subsidiary with non-controlling interest [note 9(c)]	-	-	-	<u>( 68)</u>	<u>( 68)</u>	<u>( 82)</u>	<u>( 150)</u>
<b>Balances at March 31, 2017</b>	<u>69,248</u>	<u>( 4,297)</u>	<u>(7,564)</u>	<u>13,693</u>	<u>71,080</u>	<u>17,860</u>	<u>88,940</u>

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

PROVEN INVESTMENTS LIMITED

## Group Statement of Cash Flows

Year ended March 31, 2017

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

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>Cash flows from operating activities:</b>			
Profit for the year		11,462	4,283
Adjustments for:			
Amortisation	11	1,139	1,669
Depreciation	12	204	218
Interest income	24	( 24,149)	(25,726)
Interest expense	24	9,646	12,000
Dividend income		( 1,357)	( 1,325)
Impairment gain/(loss) on bond		( 921)	1,744
Gain on disposal of property, plant and equipment		-	( 1)
Impairment loss on loans		1,156	-
Gain on acquisition of subsidiary	9(a)	( 8,030)	-
Gain on the disposal of investments in associates	9(d)	-	( 896)
Equity-settled share based payment		3,244	-
Unrealised exchange gain on preference shares		-	( 496)
Unrealised foreign exchange gain		( 1,711)	( 2,205)
Income tax charge	28	<u>957</u>	<u>439</u>
		( 8,360)	(10,296)
Change in operating assets and liabilities			
Investment securities		39,582	(34,195)
Loans receivable		( 9,139)	765
Other assets		3,685	8,902
Other liabilities		98	( 2,468)
Due to customers		( 7,946)	-
Due to other banks		( 1)	-
Repurchase agreements		( 16,831)	(23,981)
Owed by related party		-	-
Resale agreements		269	39,239
Inventory		643	( 643)
Owed to related party		<u>1,287</u>	<u>( 570)</u>
		3,287	(23,247)
Interest received		20,120	21,900
Dividend received		1,357	1,325
Interest paid		( 8,805)	(12,110)
Income tax recovered/(paid)		<u>112</u>	<u>( 951)</u>
Net cash provided/(used) by operating activities		<u>16,071</u>	<u>(13,083)</u>
<b>Cash flows from investing activities:</b>			
Acquisition of subsidiaries, net of cash acquired		118,955	-
Acquisition of additional shares in subsidiary	9(c)	( 150)	( 117)
Development in progress		10	1,120
Purchase of investment property		( 135)	( 5,599)
Proceeds from sale of associate		-	1,842
Purchase of property, plant and equipment	12	( 178)	( 140)
Proceeds from sale of property plant and equipment		-	187
Purchase of intangible asset	11	<u>( 72)</u>	<u>( 92)</u>
Net cash provided/(used) by investing activities		<u>118,430</u>	<u>( 2,799)</u>
<b>Net cash flows from operating and investing activities (carried forward to page 14)</b>		<u>134,501</u>	<u>(15,882)</u>

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

PROVEN INVESTMENTS LIMITED

Group Statement of Cash Flows

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>Cash flows from operating and investing activities (brought forward from page 13)</b>		<u>134,501</u>	<u>(15,882)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares	20	-	29,268
Proceeds from issue of preference shares	18	15,976	-
Repayment of preference shares	18	( 7,977)	-
Notes payable		158	( 6,593)
Dividend paid	31	<u>( 5,065)</u>	<u>( 3,980)</u>
Net cash provided by financing activities		<u>3,092</u>	<u>18,695</u>
<b>Net increase in cash and cash equivalents</b>		137,593	2,813
Cash and cash equivalents at beginning of year		<u>13,721</u>	<u>10,908</u>
<b>Cash and cash equivalents at end of year</b>		<u>151,314</u>	<u>13,721</u>

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

PROVEN INVESTMENTS LIMITED

## Company Statement of Financial Position

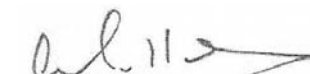
Year ended March 31, 2017

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

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>ASSETS</b>			
Cash and cash equivalents	3(c)(ii)	320	1,625
Resale agreements	4	-	164
Investment securities	5	112,062	126,871
Loans receivable	6	18,888	7,142
Other assets	7	2,262	1,690
Owed by related parties	14	-	259
Income tax recoverable		51	51
Investment in subsidiaries	9	56,988	46,403
Investment property	10	-	<u>5,623</u>
Total assets		<u>190,571</u>	<u>189,828</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Liabilities:			
Repurchase agreements	13	14,845	23,810
Owed to subsidiaries	14	737	215
Owed to related parties	14	1,094	-
Notes payable	15	87,315	86,610
Preference shares	18	15,977	7,978
Other liabilities	16	<u>2,100</u>	<u>4,342</u>
Total liabilities		<u>122,068</u>	<u>122,955</u>
Shareholders' equity:			
Share capital	20	69,248	69,248
Fair value reserve	21	( 3,250)	( 11,019)
Retained earnings		<u>2,505</u>	<u>8,644</u>
Total shareholders' equity		<u>68,503</u>	<u>66,873</u>
Total liabilities and shareholders' equity		<u>190,571</u>	<u>189,828</u>

The financial statements on pages 9 to 79 were approved for issue by the Board of Directors on May 26, 2017 and signed on its behalf by:

  
 \_\_\_\_\_ Director  
 Garfield Sinclair

  
 \_\_\_\_\_ Director  
 Jeffrey Gellineau

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

PROVEN INVESTMENTS LIMITEDCompany Statement of Profit or Loss and Other Comprehensive Income  
Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>Net interest income and other revenue</b>			
Interest income	24	6,980	7,464
Interest expense	24	(4,938)	( 5,379)
		2,042	2,085
Dividends		3,288	3,197
Net fair value adjustments and realised losses	25	( 759)	( 1,822)
Net foreign exchange gains		<u>1,083</u>	<u>1,082</u>
<b>Operating revenue, net of interest expense</b>		5,654	4,542
<b>Other income</b>		<u>134</u>	<u>409</u>
Total		<u>5,788</u>	<u>4,951</u>
<b>Operating expenses</b>			
Staff costs	26	2,248	51
Impairment losses/(gains) on loans and other assets	7	202	( 333)
Impairment (reversal)/loss on investments		( 921)	1,744
Other operating expenses	27	<u>3,854</u>	<u>2,220</u>
Total		<u>5,383</u>	<u>3,682</u>
<b>Operating profit</b>		405	1,269
Preference share dividend	29(f)	(2,184)	( 331)
Gain on disposal of associate	9(d)	<u>-</u>	<u>929</u>
<b>(Loss)/profit before income tax</b>		(1,779)	1,867
<b>Taxation</b>	28	<u>-</u>	<u>57</u>
<b>(Loss)/profit for the year</b>		<u>(1,779)</u>	<u>1,924</u>

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



PROVEN INVESTMENTS LIMITEDCompany Statement of Profit or Loss and Other Comprehensive Income  
Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*

	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>(Loss)/profit for the year</b>	( <u>1,779</u> )	<u>1,924</u>
<b>Other comprehensive income</b>		
Items that are or may be reclassified to profit or loss:		
Realised gain on available-for-sale securities	11,059	2,039
Unrealised losses on available-for-sale securities, net of tax	( 3,290 )	(11,856)
Impairment loss on available for sale investment reclassified to profit	<u>          -</u>	<u>1,744</u>
<b>Total other comprehensive income/(loss)</b>	<u>7,769</u>	( <u>8,073</u> )
<b>Total comprehensive income/(loss) for the year</b>	<u>5,990</u>	( <u>6,149</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, 2017

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

	Share capital \$'000 (note 20)	Fair value reserve \$'000 (note 21)	Retained earnings \$'000	Total \$'000
<b>Balances at March 31, 2015</b>	<u>39,980</u>	<u>( 2,946)</u>	<u>10,084</u>	<u>47,118</u>
Total comprehensive loss for the year				
Profit for the year	<u>-</u>	<u>-</u>	<u>1,924</u>	<u>1,924</u>
Other comprehensive income for the year				
Realised losses on available-for-sale securities	<u>-</u>	<u>2,039</u>	<u>-</u>	<u>2,039</u>
Unrealised loss on fair value of available-for-sale securities	<u>-</u>	<u>(10,112)</u>	<u>-</u>	<u>(10,112)</u>
	<u>-</u>	<u>( 8,073)</u>	<u>-</u>	<u>( 8,073)</u>
Total comprehensive income	<u>-</u>	<u>( 8,073)</u>	<u>1,924</u>	<u>( 6,149)</u>
Transactions with owners recorded directly in equity				
Issue of ordinary shares (note 20)	<u>29,268</u>	<u>-</u>	<u>-</u>	<u>29,268</u>
Dividends to equity holders (note 31)	<u>-</u>	<u>-</u>	<u>( 3,364)</u>	<u>( 3,364)</u>
<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	<u>-</u>	<u>-</u>	<u>(1,779)</u>	<u>( 1,779)</u>
Other comprehensive income for the year				
Unrealised loss on fair value of available-for-sale securities	<u>-</u>	<u>(3,290)</u>	<u>-</u>	<u>( 3,290)</u>
Realised gain in fair value of available-for-sale securities	<u>-</u>	<u>11,059</u>	<u>-</u>	<u>11,059</u>
	<u>-</u>	<u>7,769</u>	<u>-</u>	<u>7,769</u>
Total comprehensive income	<u>-</u>	<u>7,769</u>	<u>(1,779)</u>	<u>5,990</u>
Transactions with owners recorded directly in equity:				
Dividends to equity holders (note 31)	<u>-</u>	<u>-</u>	<u>( 4,360)</u>	<u>( 4,360)</u>
<b>Balances at March 31, 2017</b>	<u>69,248</u>	<u>( 3,250)</u>	<u>2,505</u>	<u>68,503</u>

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

PROVEN INVESTMENTS LIMITED

## Company Statement of Cash Flows

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*

	<u>Notes</u>	<u>2017</u> \$'000	<u>2016</u> \$'000
<b>Cash flows from operating activities:</b>			
(Loss)/profit for the year		( 1,779)	1,924
Adjustments for:			
Impairment (reversal)/loss on bonds		( 921)	1,744
Interest income	24	( 6,980)	( 7,464)
Interest expense	24	4,938	5,379
Dividend income		( 3,288)	( 3,197)
Equity-settled share-based payment		2,165	-
Unrealised exchange loss on preference shares		-	( 496)
Unrealised foreign exchange gain		( 1,083)	( 1,082)
Income tax credit	28	-	( 57)
Gain on disposal of associate	9(d)	<u>-</u>	<u>( 929)</u>
		( 6,948)	( 4,178)
Change in operating assets and liabilities			
Investment securities		23,499	(21,574)
Loans receivable		(11,746)	2,363
Other assets		1,592	194
Owed by related party		-	1,028
Other liabilities		( 1,797)	880
Repurchase agreements		( 8,965)	1,944
Resale agreements		164	164
Owed to related party		<u>1,875</u>	<u>( 116)</u>
		( 2,326)	(19,295)
Interest received		4,816	7,105
Dividend received		3,288	3,197
Interest paid		( 5,383)	( 5,020)
Income tax paid		<u>-</u>	<u>( 15)</u>
Net cash used by operating activities		<u>395</u>	<u>(14,028)</u>
<b>Cash flows from investing activities:</b>			
Proceeds from issue of preference shares	18	15,977	-
Repayment of preference shares	18	( 7,978)	-
Acquisition of subsidiaries, net of cash acquired		(12,600)	-
Acquisition of additional shares in subsidiaries	9(c)	( 150)	( 764)
Disposal of interest in associate		-	1,842
Disposal/(purchase) of investment property		<u>5,623</u>	<u>( 5,623)</u>
Net cash provided/(used) by investing activities		<u>872</u>	<u>( 4,545)</u>
<b>Cash flows from financing activities:</b>			
Proceeds of issue of shares	20	-	29,268
Notes payable		1,788	( 6,652)
Dividend paid	31	<u>( 4,360)</u>	<u>( 3,364)</u>
Net cash (used)/provided by financing activities		<u>( 2,572)</u>	<u>19,252</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		( 1,305)	679
Cash and cash equivalents at beginning of year		<u>1,625</u>	<u>946</u>
<b>Cash and cash equivalents at end of year</b>		<u>320</u>	<u>1,625</u>

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

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements

Year ended March 31, 2017*(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:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Nature of Business</u>	<u>Percentage ownership</u>	
			<u>2017</u>	<u>2016</u>
Proven Wealth Limited	Jamaica	Fund management, investment advisory services, and money market and equity trading	100	100
Real Properties Limited and its wholly-owned subsidiary	Saint Lucia	Real estate investment	100	85
Proven Kingsway Limited	Saint Lucia	Real estate investment	100	100
Real Millsborough Limited	Saint Lucia	Real estate investment	100	-
Real Bloomfield Limited	Saint Lucia	Real estate investment	100	-
Proven Reit Limited	Jamaica	Management services	100	-
Asset Management Company Limited	Jamaica	Hire purchase financing	100	100
Proven Fund Managers Limited	Jamaica	Pension fund management	100	-
Access Financial Services Limited	Jamaica	Retail lending	49.72	49.72
Bank of St. Lucia International Limited	Saint Lucia	Private Banking	82.82	-

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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

2. Basis of preparation (continued)

## (a) Statement of compliance (continued)

Certain new, revised 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 the Group's operations and has determined that the following are likely to have an effect on its financial statements:

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.
- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.
- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

2. Basis of preparation (continued)

## (a) Statement of compliance (continued)

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue, Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

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.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- 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 a 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.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers*, is also adopted

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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

2. Basis of preparation (continued)

## (a) Statement of compliance (continued)

The interpretation clarifies that the transaction date is the date on which the company 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.

- 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:
  - 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.
  - 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 Company is assessing the impact that these new and revised standards will have on the financial statements when they are adopted.

## (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 at fair value.

## (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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

2. Basis of preparation (continued)

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

The estimates, and the assumptions underlying them, as well as the judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

- (i) Key sources of estimation uncertainty

- 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.

- 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 34).



PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

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 (continued)

- 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 34) requires judgement as to whether a market is active.
- In designating a security as 'held-to-maturity', management judges whether the Group has the ability to hold the security to maturity.
- 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).

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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

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

## (i) Business combinations (continued)

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 entity. 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

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

## (iv) 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 previous subsidiary, then such interest is measured at fair value at the date that control is lost.

## (v) 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) 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.

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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

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

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

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

*Held-to-maturity:* This comprises securities with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

*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.

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

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

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

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

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

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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

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

## (iii) 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.

*Held-to-maturity:* 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. Any sale or reclassification of a significant amount of held-to-maturity investments that are not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

*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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

## (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.

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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

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

## (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 carried 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.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retain 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.

## (v) 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 presented as financial liabilities.

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

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

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

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

Loans and notes receivable and other receivables are measured at amortised cost less impairment provisions.

## (vii) Accounts payable

Accounts payable are measured at amortised cost.

## (viii) 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 stated 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.

## (ix) 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 liability simultaneously.

## (x) Amortised cost

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

## (d) Property development costs

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



PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

## (e) Investment properties (continued)

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.

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 company 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

3. Significant accounting policies (continued)

## (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 and 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.

- (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, tradename 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

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 and all individually performing loans and advances 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 utilization, 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

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 at cost, less impairment losses, if any.

## (l) Revenue recognition

Revenue comprises interest income, fees and commissions, dividends and 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

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 over the period in which 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) Gain or loss on holding and trading securities:

Gain or loss on securities trading is 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 Company 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

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 Company purchases government and corporate securities and agrees to resell them at a specified date at a specified price.

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 \$40,403,442 (2016: \$45,332,612) for the Group and \$Nil (2016: \$178,000) for the Company.

5. Investment securities

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets at fair value through profit or loss</b>				
Quoted equities	98	65	-	-
Credit linked notes	1,941	2,000	1,941	2,000
Foreign currency forward contracts	<u>70</u>	<u>70</u>	<u>70</u>	<u>70</u>
	<u>2,109</u>	<u>2,135</u>	<u>2,011</u>	<u>2,070</u>
<b>Available-for-sale securities</b>				
Global bonds	152,421	49,388	24,511	29,615
Government of Jamaica securities	63,725	75,318	-	-
Corporate bonds	53,072	58,733	51,270	57,135
Mutual funds	38,869	24,116	21,313	24,116
Credit linked notes	11,551	12,120	11,551	12,120
Certificate of deposits	4,523	-	-	-
Equities - Jamaica	9	27	9	10
Global equities	3,770	1,805	1,397	1,805
Treasury bills	-	1,000	-	-
Commercial paper	<u>150</u>	<u>3,968</u>	<u>-</u>	<u>-</u>
	<u>328,090</u>	<u>226,475</u>	<u>110,051</u>	<u>124,801</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

5. Investment securities (continued)

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Loans and receivables</b>				
Term deposits	29,148	-	-	-
Global bonds	1,785	-	-	-
Government of Jamaica securities	<u>1,127</u>	<u>3,548</u>	<u>-</u>	<u>-</u>
	<u>362,259</u>	<u>232,158</u>	<u>112,062</u>	<u>126,871</u>

6. Loans receivable

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Loans and advances to customers	29,462	19,999	-	-
Margin loans [see (a) below]	3,912	5,876	-	-
Corporate notes	<u>9,641</u>	<u>1,820</u>	<u>18,888</u>	<u>7,142</u>
	43,015	27,695	18,888	7,142
Less allowance for impairment [see (c)]	<u>( 3,594)</u>	<u>( 2,702)</u>	<u>-</u>	<u>-</u>
	<u>39,421</u>	<u>24,993</u>	<u>18,888</u>	<u>7,142</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 \$2,357,000 (2016: \$36,159,000).

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

	<u>Group</u>				<u>Total</u>
	<u>Within</u>	<u>3-12</u>	<u>1-5</u>	<u>Over</u>	
	<u>3 months</u>	<u>months</u>	<u>years</u>	<u>5 years</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
	<u>2017</u>				
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>



PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

6. Loans receivable (continued)

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

	<u>2016</u>				
Margin loans	790	5,086	-	-	5,876
Hire purchase loans	-	17,297	-	-	17,297
Corporate notes	<u>-</u>	<u>-</u>	<u>1,820</u>	<u>-</u>	<u>1,820</u>
	<u><u>790</u></u>	<u><u>22,383</u></u>	<u><u>1,820</u></u>	<u><u>-</u></u>	<u><u>24,993</u></u>

	<u>Company</u>				
	<u>Within</u>	<u>3-12</u>	<u>1-5</u>	<u>Over</u>	<u>Total</u>
	<u>3 months</u>	<u>months</u>	<u>years</u>	<u>5 years</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>

	<u>2017</u>				
Corporate notes	<u>-</u>	<u>10,291</u>	<u>8,308</u>	<u>289</u>	<u>18,888</u>

	<u>2016</u>				
Corporate notes	<u>-</u>	<u>5,642</u>	<u>1,500</u>	<u>-</u>	<u>7,142</u>

(c) Impairment losses

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

	<u>Group</u>			
	<u>2017</u>		<u>2016</u>	
	<u>Gross</u>	<u>Allowance</u>	<u>Gross</u>	<u>Allowance</u>
	<u>\$'000</u>	<u>for</u>	<u>\$'000</u>	<u>for</u>
		<u>impairment</u>		<u>impairment</u>
		<u>\$'000</u>		<u>\$'000</u>
Not past due and not impaired	38,971	-	23,560	-
Less than 90 days past due and not impaired	1,924	1,741	2,609	1,176
More than 90 days past due and impaired	<u>2,120</u>	<u>1,853</u>	<u>1,526</u>	<u>1,526</u>
	<u><u>43,015</u></u>	<u><u>3,594</u></u>	<u><u>27,695</u></u>	<u><u>2,702</u></u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

6. Loans receivable (continued)

## (c) Impairment losses (continued)

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

	<u>Group</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Balance at the beginning of the year	2,702	1,851
Impairment losses recognised	1,009	980
Effect of exchange rate movements	( 117)	( 129)
Balance at the end of the year	<u>3,594</u>	<u>2,702</u>

7. Other assets

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Withholding tax recoverable	3,518	4,389	-	-
Due from joint operation partner	-	446	-	-
Due from clients	-	761	-	-
Interest receivable	4,029	3,826	2,212	1,644
Other [see (a)]	<u>4,132</u>	<u>1,687</u>	<u>50</u>	<u>47</u>
	11,679	11,109	2,262	1,691
Less allowance for impairment [see (b)]	( 108)	( 507)	-	( 1)
	<u>11,571</u>	<u>10,602</u>	<u>2,262</u>	<u>1,690</u>

(a) Included in this amount is \$1,653,000 (2016: \$106,000) expended on planning for the development of investment property.

(b) Allowance for impairment is made in respect of the following:

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Due from clients	-	505	-	-
Other	<u>108</u>	<u>2</u>	-	<u>1</u>
	<u>108</u>	<u>507</u>	<u>-</u>	<u>1</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

7. Other assets (continued)

(b) Allowance for impairment is made in respect of the following (continued):

The movement in the allowance for impairment during the year was as follows  
(continued):

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	507	452	1	354
Bad debt recovered	-	(333)	-	(333)
Write-offs	(288)	( 83)	( 1)	( 20)
Bad debts reversals	-	242	-	-
Effect of exchange rate movements	(111)	<u>229</u>	-	-
Balance at end of year	<u>108</u>	<u>507</u>	<u>-</u>	<u>1</u>

During the year trade receivables of \$147,000 for the Group and \$202,000 for the company were recognised directly in the income statements.

8. Property development in progress

The Group is a participant 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. The 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).

	<u>Group</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
At beginning of year	210	1,330
Cost of property transferred	-	(1,120)
Effect of exchange rate movements	( 10)	-
At end of year	<u>200</u>	<u>210</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

9. Investment in subsidiaries

	<u>Company</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Ordinary shares at cost:		
Proven Wealth Limited	16,567	16,567
Real Properties Limited (formerly Proven REIT Limited [see (c) below])	641	491
Asset Management Company Limited	412	412
The Bank of St. Lucia International Limited [see (a) below]	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>46,403</u>

## (a) Acquisition of The Bank of St. Lucia International Limited.

Effective March 13, 2017, Proven Investments Limited acquired the entire issued share capital of The Bank of St. Lucia International 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.

Since the date of acquisition, 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.

## (i) Identifiable assets acquired and liabilities assumed:

	<u>2017</u>
	\$'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	( 494)
	20,630
Consideration transferred:	
Cash	( 12,600)
Gain on acquisition	<u>8,030</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

9. Investment in subsidiaries (continued)

## (a) Acquisition of The Bank of St. Lucia International Limited (continued)

## (ii) Cash flow on acquisition

	<u>2017</u> \$'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. This was accounted for as a share-based payment valued at \$3,244,000 [see note (26)].

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

1. Property, plant and equipment: The value of land was assessed through market comparison techniques by qualified independent valuation assessors. The value of buildings and certain equipment was assessed through cost techniques, specifically the depreciated replacement cost methodology to account for physical deterioration as well as functional and economic obsolescence.
2. 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 \$Nil was expected to be fully collectible at the date of acquisition.

## (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.

## (vi) Bargain purchase

The consideration of \$12.6 million is less than the net assets of the business of \$20.6 million thereby resulting in a gain of \$8.03 million, recognised in the statement of profit and loss and other comprehensive income. The reasons for the bargain purchase are as follows:

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

9. Investment in subsidiaries (continued)

## (a) Acquisition of The Bank of St. Lucia International Limited (continued)

## (vi) Bargain purchase (continued)

- 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.
- Seller wanted to realise gains on its initial investment in BOSLIL, while disposing of the business as a going concern.

## (b) Acquisition from Damark Limited

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

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	( <u>1404</u> )
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) During the 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	( <u>150</u> )
A decrease in equity attributable to owners of the company	( <u>68</u> )

PROVEN INVESTMENTS LIMITEDNotes to the Financial Statements (Continued)  
Year ended March 31, 20179. Investment in subsidiaries (continued)

- (d) In the prior year, the Group disposed of its interest in Knutsford Express Limited effective December 30, 2015 and recognised a gain on disposal of \$896,000 for the Group and \$929,000 for the Company.

10. Investment property

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
At beginning of year	6,013	414	5,623	-
Investment property acquired	128	4,212	-	4,212
Fair value adjustment	27	1,411		1,411
Disposal	-	-	(5,623)	-
Foreign exchange translation adjustment	( 20)	( 24)	-	-
	<u>6,148</u>	<u>6,013</u>	<u>-</u>	<u>5,623</u>

The company's land and buildings were last revalued in February 2016 and December 2015 by independent valuers, Allison Pitter & Co. and NAI Jamaica Langford and Brown. 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.

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
<p>Market approach. 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>

PROVEN INVESTMENTS LIMITEDNotes to the Financial Statements (Continued)  
Year ended March 31, 201711. Intangible assets

	Group						
	Customer relationships	Non-compet agreements	Trade name	Goodwill	License	Computer software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:							
March 31, 2015	9,452	1,570	2,269	7,633	490	310	21,724
Adjustment [see note 9(d)]	(2,722)	-	-	2,722	-	-	-
Additions	-	-	-	-	-	92	92
Translation adjustment	-	-	-	-	( 28)	( 20)	( 48)
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	<u>8,312</u>	<u>1,669</u>	<u>2,534</u>	<u>10,391</u>	<u>439</u>	<u>887</u>	<u>24,232</u>
Amortisation:							
March 31, 2015	-	-	-	-	-	264	264
Amortisation for the year	1,099	465	-	-	-	105	1,669
Translation adjustment	-	-	-	-	-	( 18)	( 18)
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	<u>1,765</u>	<u>899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378</u>	<u>3,042</u>
Net book values:							
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>
March 31, 2015	<u>9,452</u>	<u>1,570</u>	<u>2,269</u>	<u>7,633</u>	<u>490</u>	<u>46</u>	<u>21,460</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:

We calculated the fair value of the Access Financial Services trade name using the relief from royalty method and compared the fair value to the carrying value of the trade name as at March 31, 2017.

	<u>2017</u>	<u>2016</u>
<u>Retail lending cash generating units (CGUs)</u>		
Discount rate	24.6%	24.6%
Growth rate	6%	6%



PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

12. Property, plant and equipment

	Group						Total
	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Computer equipment	Work in progress	Art- work	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost:							
March 31, 2015	576	874	275	1,124	10	5	2,864
Additions	55	31	34	8	12	-	140
Disposals	(137)	( 16)	-	-	-	-	( 153)
Translation adjustment	( 14)	( 21)	( 7)	( 27)	-	-	( 69)
March 31, 2016	<u>480</u>	<u>868</u>	<u>302</u>	<u>1,105</u>	<u>22</u>	<u>5</u>	<u>2,782</u>
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	<u>561</u>	<u>1,076</u>	<u>153</u>	<u>1,255</u>	<u>-</u>	<u>5</u>	<u>3,050</u>
Depreciation:							
March 31, 2015	167	614	260	962	-	-	2,003
Charge for the year	56	56	77	29	-	-	218
Disposals	( 1)	( 8)	( 47)	-	-	-	( 56)
Translation adjustment	<u>3</u>	<u>3</u>	<u>12</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>20</u>
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	<u>267</u>	<u>717</u>	<u>117</u>	<u>984</u>	<u>-</u>	<u>-</u>	<u>2,085</u>
Net book values:							
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>
March 31, 2015	<u>409</u>	<u>260</u>	<u>15</u>	<u>162</u>	<u>10</u>	<u>5</u>	<u>861</u>

13. Repurchase agreements

The Group sells Government and corporate securities and agrees to repurchase them on a specified date and at a specified price.

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Denominated in Jamaica dollars	50,470	77,507	-	-
Denominated in United States dollars	<u>92,529</u>	<u>82,323</u>	<u>14,845</u>	<u>23,810</u>
	<u>142,999</u>	<u>159,830</u>	<u>14,845</u>	<u>23,810</u>

The Company sells government and corporate securities and agrees to repurchase them on a specified date and at a specified price (note 6).

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

14. Owed by related parties

	<u>Group</u>		<u>Company</u>	
	<u>2017</u> \$'000	<u>2016</u> \$'000	<u>2017</u> \$'000	<u>2016</u> \$'000
Owed by/(to) other related parties				
Current accounts [See (i)]	102	420	( 43)	( 82)
Dividend payable [ See 18(a)]	(1,051)	( 82)	(1,051)	341
	<u>949</u>	<u>338</u>	<u>(1,094)</u>	<u>259</u>
Owed by/(to) subsidiaries				
Current accounts	<u>-</u>	<u>-</u>	<u>( 737)</u>	<u>(215)</u>

- (i) Current accounts represents the net of accrued management fees and amounts receivable from Proven Management Limited and property management fee receivable by Real Properties Limited

15. Notes payable

	<u>Group</u>		<u>Company</u>	
	<u>2017</u> \$'000	<u>2016</u> \$'000	<u>2017</u> \$'000	<u>2016</u> \$'000
Structured notes [See (i)]	64,400	63,348	64,400	63,348
Equity-linked notes [See (ii)]	1,699	6,259	1,699	6,259
Secured investment note [See (iii)]	-	6,750	-	6,750
Margin loans payable [See (iv)]	14,075	10,101	18,962	7,878
Other	14,259	7,696	-	-
Short-term loan [See (v)]	<u>2,254</u>	<u>2,375</u>	<u>2,254</u>	<u>2,375</u>
	<u>96,687</u>	<u>96,529</u>	<u>87,315</u>	<u>86,610</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) The secured investment note issued in March 2015, ended on March 30, 2017, was secured by the assignment of equity shares held by the Company in Access Financial Services Limited. Interest was paid quarterly at a fixed rate of 10.5% per annum.
- (iv) Margin loans payable represent short-term debt facilities provided by brokerage firms to the Group:
- 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)].

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

15. Notes payable

- (v) This is a short term revolving facility granted by First Global Bank Limited on September 28, 2015. The facility is set to revolve at least once annually. Each draw down under the revolving line is 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.

16. Other liabilities

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest payable	841	958	444	359
Payable to client	6,854	2,230	-	-
Statutory	17	11	-	-
Accrued charges	976	922	138	66
Other	<u>4,155</u>	<u>7,419</u>	<u>1,518</u>	<u>3,917</u>
	<u>12,843</u>	<u>11,540</u>	<u>2,100</u>	<u>4,342</u>

17. Due to customers

	<u>Group</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Time deposits	14,701	-
Interest bearing accounts	6,679	-
Non-interest bearing accounts	248,153	-
Sweep accounts	<u>522</u>	<u>-</u>
	<u>270,055</u>	<u>-</u>

18. Preference shares

	<u>JS'000</u>	<u>Group and Company</u>	
		<u>2017</u>	<u>2016</u>
		<u>\$'000</u>	<u>\$'000</u>
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	976,374	7,977	8,473
Repayment	( 976,374)	( 7,977)	-
Addition	2,097,967	15,976	-
Effect of exchange rate fluctuation	<u>-</u>	<u>-</u>	<u>( 496)</u>
At end of year	<u>2,097,967</u>	<u>15,976</u>	<u>7,977</u>
		<u>15,977</u>	<u>7,978</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

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% (2016: 8%) 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 statement of profit or loss and other comprehensive income.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
 Year ended March 31, 2017

19. Deferred tax assets/(liabilities)

	Group			
	2017			
	Balance at March 31, 2016	Recognised in profit and loss	Recognised in equity	Balance at March 31, 2017
	\$'000	\$'000 (note 28)	\$'000	\$'000
Property, plant and equipment	( 13)	20	-	7
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>440</u>	<u>1,080</u>	<u>(724)</u>	<u>796</u>

	2016			
	Balance at March 31, 2015	Recognised in profit and loss	Recognised in equity	Balance at March 31, 2016
	\$'000	\$'000 (note 28)	\$'000	\$'000
Property, plant and equipment	( 26)	13	-	( 13)
Other receivables	(770)	76	-	(694)
Unrealised foreign exchange gains	242	(228)	-	14
Investment property	( 5)	-	-	( 5)
Available-for-sale investment securities	288	316	227	831
Other liabilities	206	( 9)	-	197
Tax losses	211	(187)	-	24
Exchange difference on translation	50	( 14)	-	36
Other	<u>36</u>	<u>14</u>	<u>-</u>	<u>50</u>
	<u>232</u>	<u>( 19)</u>	<u>227</u>	<u>440</u>

20. Share capital

	2017 \$'000	2016 \$'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% 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>-</u>
	<u>40,000,000</u>	<u>33,000,000</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)  
Year ended March 31, 2017

20. Share capital (continued)

	<u>2017</u> Units	<u>2016</u> Units	<u>2017</u> \$'000	<u>2016</u> \$'000
Issued and fully paid:				
Ordinary shares	551,595,777	551,595,777	69,248	69,248
Manager's Preference Shares 8.25% (2016: 8% Cumulative)	10,000	10,000	1	1
Redeemable Preference Shares	<u>419,593,412</u>	<u>200,000,000</u>	<u>15,976</u>	<u>7,977</u>
			85,225	77,226
Less: Preference shares classified as liability (see note 18)			<u>(15,977)</u>	<u>(7,978)</u>
			<u>69,248</u>	<u>69,248</u>

- (a) During 2016, the Company issued an additional 182,905,922 ordinary shares at 0.16¢ per share for the aggregate increase in ordinary share capital of 29,268,000.
- (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 unrealized 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*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>2017</u>			
	<u>Access Financial Services</u>	<u>Bank of St. Lucia International Limited</u>	<u>Intra-group adjustments</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<b>NCI percentage</b>	<b>50.28%</b>	<b>17.18%</b>		
Total assets	24,242	292,052		
Total liabilities	(10,848)	(272,566)		
Net assets/(liabilities)	<u>13,394</u>	<u>19,486</u>		
Carrying amount of NCI	<u>6,735</u>	<u>3,348</u>	<u>7,777</u>	<u>17,860</u>
Revenue	<u>9,960</u>	<u>181</u>		
Profit/(loss) for the year	5,334	336		
Profit/(loss) allocated to NCI	<u>3,190</u>	<u>58</u>		<u>2,741</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 increase/(decrease) in cash and cash equivalents	<u>( 23)</u>	<u>15,261</u>		
	<u>2016</u>			
	<u>Access Financial Services</u>	<u>Real Properties Limited</u>	<u>Intra-group adjustments</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<b>NCI percentage</b>	<b>50.28%</b>	<b>15%</b>		
Total assets	21,010	2,006		
Total liabilities	(11,014)	(1,628)		
Net assets/(liabilities)	<u>9,996</u>	<u>378</u>		
Carrying amount of NCI	<u>5,026</u>	<u>57</u>	<u>7,579</u>	<u>12,662</u>
Revenue	<u>9,263</u>	<u>1</u>		
Profit/(loss) for the year	3,878	( 71)		
Loss allocated to NCI	<u>1,950</u>	<u>( 11)</u>		<u>1,939</u>
Cash flows from operating activities	3,046	(1,273)		
Cash flows from investment activities	( 135)	1,124		
Cash flows from financing activities	(1,063)	<u>162</u>		
Net increase/(decrease) in cash and cash equivalents	<u>1,848</u>	<u>13</u>		

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*24. Net interest income

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest income:				
BOJ certificates of deposit	-	50	-	-
GOJ benchmark investment notes	2,266	2,967	-	56
Regional and corporate bonds	3,503	4,457	3,508	4,457
Global bonds	6,078	5,732	2,270	2,281
Resale agreements	1,121	2,346	21	8
Corporate note	779	810	1,181	657
Other loans receivable	10,058	9,359	-	-
Other	<u>344</u>	<u>5</u>	<u>-</u>	<u>5</u>
	<u>24,149</u>	<u>25,726</u>	<u>6,980</u>	<u>7,464</u>
Interest expense:				
Interest on margin loans	413	439	413	439
Repurchase agreements	4,425	6,153	360	444
Notes payable	3,845	4,606	3,319	3,694
Preference shares	690	671	690	671
Other	<u>273</u>	<u>131</u>	<u>156</u>	<u>131</u>
	<u>9,646</u>	<u>12,000</u>	<u>4,938</u>	<u>5,379</u>
Net interest income	<u>14,503</u>	<u>13,726</u>	<u>2,042</u>	<u>2,085</u>

25. Net fair value adjustments and realised gains

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Fair value adjustment for investment property	28	1,411	-	1,411
Fair value gains/(losses) on fixed income securities	1,681	(2,414)	(758)	(3,318)
Fair value gains/(losses) equity securities	<u>11</u>	<u>(32)</u>	<u>(1)</u>	<u>85</u>
	<u>1,720</u>	<u>(1,035)</u>	<u>(759)</u>	<u>(1,822)</u>

26. Staff costs

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries, wages and related costs	3,652	3,325	-	-
Bonus and ex-gratia payments	335	243	-	-
Statutory payroll contributions	211	183	-	-
Pension costs - defined contribution plan	103	100	-	-
Staff welfare	53	69	-	1
Equity-settled share based payment [note (9)(iii)]	3,244	-	2,165	-
Other	<u>712</u>	<u>586</u>	<u>83</u>	<u>50</u>
	<u>8,310</u>	<u>4,506</u>	<u>2,248</u>	<u>51</u>



PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*26. Staff costs (continued)

Included in staff costs are the following directors' emoluments:

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Fees	139	121	83	50
Management remuneration	<u>404</u>	<u>260</u>	<u>-</u>	<u>-</u>

27. Other operating expenses

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
Audit fees	237	131	103	83
Bad debt recovery, net	(177)	-	-	-
Irrecoverable GCT	278	158	179	72
Insurance	112	82	-	6
Legal and other professional fees	1,211	683	829	-
Licenses and permits	425	476	-	-
Marketing and advertising	681	653	195	208
Miscellaneous	434	399	214	132
Management fees [note 29(f)]	1,363	1,277	1,363	1,277
Irrecoverable income tax withheld	98	37	98	37
Office rent	523	515	-	-
Commission expenses and fees	-	152	251	317
Printing and stationery	150	145	-	-
Repairs and maintenance	451	379	-	-
Subscriptions and donations	20	15	-	-
Travelling	128	118	64	28
Utilities	347	395	-	-
Other operating expenses	<u>1,515</u>	<u>1,354</u>	<u>558</u>	<u>60</u>
	<u>7,796</u>	<u>6,969</u>	<u>3,854</u>	<u>2,220</u>

28. Taxation

(a) The tax charge for income tax is computed at 1%, 25% and 33½% (depending on the jurisdiction) of profit for the year as adjusted for tax purposes, and is made up as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	\$'000	\$'000	\$'000	\$'000
(i) Current tax charge:				
Charge on current period's profits:				
Income tax at 1%	-	( 57)	-	(57)
Income tax at 33½%	1,442	593	-	-
Income tax at 25%	<u>595</u>	<u>349</u>	<u>-</u>	<u>-</u>
	2,037	885	-	(57)
Prior period over accruals	<u>-</u>	<u>(460)</u>	<u>-</u>	<u>-</u>
	<u>2,037</u>	<u>425</u>	<u>-</u>	<u>(57)</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*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):

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(ii) Deferred tax:				
Origination and reversal of temporary differences	(1,080)	19	-	-
(iii) Prior year over provision	-	( 5)	-	-
Total income tax charge/(credit)	<u>957</u>	<u>439</u>	<u>-</u>	<u>(57)</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:

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit/(loss) before taxation	<u>13,744</u>	<u>4,722</u>	<u>( 454)</u>	<u>1,867</u>
Computed "expected" tax expense at 1%	-	19	-	19
Computed "expected" tax expense at 25%	1,475	1,066	-	-
Computed "expected" tax expense at 33 $\frac{1}{3}$ %	<u>1,424</u>	<u>720</u>	<u>-</u>	<u>-</u>
	2,899	1,805	-	19
Difference between profits for financial statements and tax reporting purposes on				
Depreciation charge and capital allowances	20	52	-	-
Income exempt from income tax	( 676)	( 597)	-	-
Employer tax credit	( 255)	( 256)	-	-
Disallowed expenses	164	216	-	-
Tax losses	-	( 139)	-	-
Tax remission in subsidiary	( 851)	( 672)	-	-
Prior period over-accrual	-	( 460)	-	-
Other	<u>( 344)</u>	<u>490</u>	<u>-</u>	<u>( 76)</u>
Actual tax expense	<u>957</u>	<u>439</u>	<u>-</u>	<u>( 57)</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*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)].

	<u>Group and Company</u>	
	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Investment management fees paid for the year	1,248	1,093
Fees accrued at end of year	<u>115</u>	<u>184</u>
	<u>1,363</u>	<u>1,277</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*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:

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Directors' fees	139	121	83	50
Management remuneration	<u>404</u>	260	<u>-</u>	<u>-</u>

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

	<u>2017</u>
	Directors and key <u>management</u>
	<u>\$'000</u>
Resale agreements	72
Other receivables	217
Repurchase agreements	<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:

	<u>Group</u>		<u>Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Proven Wealth Limited				
Interest income	<u>-</u>	<u>-</u>	<u>148</u>	<u>61</u>
MPS Holding Limited				
Dividends paid	<u>2,184</u>	<u>331</u>	<u>2,184</u>	<u>331</u>
Proven Management Limited				
Management fees	<u>1,363</u>	<u>1,277</u>	<u>1,363</u>	<u>1,277</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*30. Earnings per stock unit

Earning per stock unit ("EPS") is computed by dividing the profit attributable to stockholders of the parent, of \$8,721,000 (2016: \$2,344,000), by the weighted average number of ordinary stock units in issue during the year, numbering 551,595,777 (2016: 536,353,617).

31. Distribution to equity holders

	<u>Group and Company</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Distribution to ordinary shareholders		
per stock unit - parent at 0.8¢ (2016: 0.6¢)	4,360	3,364
- non-controlling interest at 0.5¢ (2016: 0.56¢)	<u>705</u>	<u>616</u>
	<u>5,065</u>	<u>3,980</u>

32. Lease commitments

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

	<u>Group and Company</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Within one year	386	399
Subsequent years	<u>516</u>	<u>512</u>
	<u>902</u>	<u>911</u>

33. 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:

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*33. Financial instruments - risk management (continued)

## (a) Introduction and overview (continued):

- (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.

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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*33. Financial instruments - risk management (continued)

## (b) Credit risk (continued):

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

- 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.

## (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 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;

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*33. Financial instruments - risk management (continued)

(c) Liquidity risk: (continued):

(i) Liquidity risk management (continued):

- (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.

	<b>Group</b>							Carrying amount \$'000
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	No specific maturity date \$'000	Total contractual outflow \$'000	
<b>2017</b>								
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>-</u>	<u>256,870</u>	<u>554,791</u>	<u>541,720</u>
<b>2016</b>								
Liabilities								
Repurchase agreements	79,017	58,814	18,781	3,980	-	-	160,592	159,830
Notes payable	125	17,351	67,793	13,347	9,471	11,004	119,091	96,529
Other liabilities	4,765	637	633	-	-	5,505	11,540	11,540
Preference shares	-	157	8,170	274	-	-	8,601	7,978
Total financial liabilities	<u>83,907</u>	<u>76,959</u>	<u>95,377</u>	<u>17,601</u>	<u>9,471</u>	<u>16,509</u>	<u>299,824</u>	<u>275,877</u>



PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017

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

33. Financial instruments - risk management (continued)

(c) Liquidity risk (continued):

(i) Liquidity risk management (continued):

	<u>Company</u>							Carrying amount \$'000
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	No specific maturity date \$'000	Total contractual outflow \$'000	
<u>2017</u>								
Liabilities								
Repurchase agreements	13,563	1,305	-	-	-	-	14,868	14,845
Owed 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>-</u>	<u>3,194</u>	<u>131,971</u>	<u>121,331</u>
<u>2016</u>								
Liabilities								
Repurchase agreements	2,013	16,912	4,990	-	-	-	23,915	23,810
Owed to subsidiaries	-	-	-	-	-	215	215	215
Notes payable	18	21,959	55,919	12,062	-	-	89,958	86,610
Preference shares	-	157	8,559	-	-	-	8,716	7,978
Other liabilities	-	-	-	-	-	4,342	4,342	4,342
Total financial liabilities	<u>2,031</u>	<u>39,028</u>	<u>69,468</u>	<u>12,062</u>	<u>-</u>	<u>4,557</u>	<u>127,146</u>	<u>122,955</u>

(d) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. These arise mainly from changes in interest rate, foreign currency rates and equity prices and will affect the 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*33. Financial instruments - risk management (continued)

## (d) Market risk (continued):

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

At the reporting date, exposure to foreign currency risk was as follows:

	<b>Group</b>					
	2017					
	<u>JMD</u>	<u>GBP</u>	<u>CAD</u>	<u>EUR</u>	<u>AUD</u>	<u>Other</u>
	\$'000	£'000	\$'000	\$'000	\$'000	\$'000
Assets:						
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	<u>2,094,834</u>	<u>71</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>-</u>
	<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>
Liabilities						
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	<u>1,007,422</u>	<u>117</u>	<u>1</u>	<u>4</u>	<u>86</u>	<u>-</u>
	<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>
Net position	<u>7,106,567</u>	<u>229</u>	<u>160</u>	<u>431</u>	<u>( 460)</u>	<u>32</u>

	2016			
	<u>JMD</u>	<u>GBP</u>	<u>AUD</u>	<u>Other</u>
	\$'000	£'000	\$'000	\$'000
Assets:				
Cash and cash equivalents	264,842	143	121	-
Resale agreements	25,206	-	-	-
Investment securities	6,218	-	-	-
Loans receivable	2,264,035	39	5	-
Other	<u>40,268</u>	<u>69</u>	<u>-</u>	<u>-</u>
	<u>2,600,569</u>	<u>251</u>	<u>126</u>	<u>-</u>
Liabilities				
Repurchase agreements	7,049	-	-	-
Notes payable	2,816,481	-	-	-
Preference shares	1,000,000	-	-	-
Other	<u>223,421</u>	<u>14</u>	<u>2</u>	<u>7</u>
	<u>4,046,951</u>	<u>14</u>	<u>2</u>	<u>7</u>
Net position	<u>(1,446,382)</u>	<u>237</u>	<u>124</u>	<u>( 7)</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*33. Financial instruments - risk management (continued)

(d) Market risk (continued):

(i) Foreign currency risk (continued):

	<u>Company</u>		
	<u>2017</u>	<u>2016</u>	
	<u>JMD</u> \$'000	<u>JMD</u> \$'000	<u>GBP</u> £'000
Assets:			
Cash and cash equivalents	43,741	6,982	-
Resale agreements	-	20,000	20,000
Loans receivable	1,424,193	462,869	-
Investment securities	2,131	1,092	-
Due from related party	12,862	15,341	-
Other	<u>-</u>	<u>3,129</u>	<u>-</u>
	<u>1,482,927</u>	<u>509,413</u>	<u>20,000</u>
Liabilities			
Owed to related parties	43,235	21,330	-
Notes payable	1,168,737	1,970,578	-
Preference shares	2,098,095	1,000,000	-
Repurchase agreement	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,310,067</u>	<u>2,991,908</u>	<u>-</u>
Net position	<u>(1,827,140)</u>	<u>(2,482,495)</u>	<u>20,000</u>

*Sensitivity to exchange rate movements:*

The following indicates the sensitivity to changes in foreign currency exchange rates of the Group's profit and shareholders' equity. It is computed by applying a reasonably possible change in exchange rates to foreign currency denominated monetary assets and liabilities as assessed by management at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	% change in currency rate	<u>2017</u>			
		<u>Group</u>		<u>Company</u>	
		Effect on <u>profit</u> \$'000	Effect on comprehensive <u>income</u> \$'000	Effect on <u>profit</u> \$'000	Effect on comprehensive <u>income</u> \$'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>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017

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

33. Financial instruments - risk management (continued)

(d) Market risk (continued):

(i) Foreign currency risk (continued):

*Sensitivity to exchange rate movements (continued):*

		2016			
		Group		Company	
	% change in currency rate	Effect on profit \$'000	Effect on comprehensive income \$'000	Effect on profit \$'000	Effect on comprehensive income \$'000
Currency:					
JMD	1% Revaluation	(120)	-	(206)	-
GBP	1% Revaluation	2	-	-	-
CAD	1% Revaluation	1	-	-	-
Other	1% Revaluation	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>

		2017			
		Group		Company	
	% change in currency rate	Effect on profit \$'000	Effect on comprehensive income \$'000	Effect on profit \$'000	Effect on comprehensive income \$'000
Currency:					
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>

		2016			
		Group		Company	
	% change in currency rate	Effect on profit \$'000	Effect on comprehensive income \$'000	Effect on profit \$'000	Effect on comprehensive income \$'000
Currency:					
JMD	6% Devaluation	673	-	1,155	-
GBP	6% Devaluation	<u>( 10)</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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017

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

33. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

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.

	2017						
	Group						
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non interest sensitive \$'000	Total \$'000
Assets:							
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
Total assets	<u>12,191</u>	<u>36,100</u>	<u>71,111</u>	<u>129,470</u>	<u>149,862</u>	<u>204,329</u>	<u>603,063</u>
Liabilities							
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
Total liabilities	<u>87,821</u>	<u>65,835</u>	<u>69,951</u>	<u>51,730</u>	<u>-</u>	<u>266,383</u>	<u>541,720</u>
Interest rate sensitivity gap	<u>(75,630)</u>	<u>(29,735)</u>	<u>1,160</u>	<u>77,740</u>	<u>149,862</u>	<u>(62,054)</u>	<u>61,343</u>
Cumulative interest rate sensitivity gap	<u>(75,630)</u>	<u>(105,365)</u>	<u>(104,205)</u>	<u>(26,465)</u>	<u>123,397</u>	<u>61,343</u>	

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017

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

33. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	<b>Group</b>						
	2016						
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non interest sensitive \$'000	Total \$'000
<b>Assets:</b>							
Cash and cash equivalents	-	-	-	-	-	13,721	13,721
Resale agreements	4,571	33,742	454	-	-	-	38,767
Investment securities	1,000	-	-	90,717	114,359	26,082	232,158
Loans receivable	107	4,627	1,123	1,628	211	17,297	24,993
Other assets	-	-	-	-	-	10,602	10,602
Owed by related parties	-	-	-	-	-	338	338
<b>Total assets</b>	<b><u>5,678</u></b>	<b><u>38,369</u></b>	<b><u>1,577</u></b>	<b><u>92,345</u></b>	<b><u>114,570</u></b>	<b><u>68,040</u></b>	<b><u>320,579</u></b>
<b>Liabilities</b>							
Repurchase agreements	79,007	58,311	18,620	3,892	-	-	159,830
Notes payable	-	21,755	48,090	11,443	-	15,241	96,529
Other liabilities	-	-	-	-	-	11,540	11,540
Preference shares	-	-	7,977	-	-	1	7,978
<b>Total liabilities</b>	<b><u>79,007</u></b>	<b><u>80,066</u></b>	<b><u>74,687</u></b>	<b><u>15,335</u></b>	<b><u>-</u></b>	<b><u>26,782</u></b>	<b><u>275,877</u></b>
Interest rate sensitivity gap	<u>(73,329)</u>	<u>(41,697)</u>	<u>(73,110)</u>	<u>77,010</u>	<u>114,570</u>	<u>41,258</u>	<u>44,702</u>
Cumulative interest rate sensitivity gap	<u>(73,329)</u>	<u>(115,026)</u>	<u>(188,136)</u>	<u>(111,126)</u>	<u>3,444</u>	<u>44,702</u>	
<b>Company</b>							
2017							
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non interest sensitive \$'000	Total \$'000
<b>Assets:</b>							
Cash and 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><u>-</u></b>	<b><u>-</u></b>	<b><u>22,336</u></b>	<b><u>17,546</u></b>	<b><u>69,461</u></b>	<b><u>24,420</u></b>	<b><u>133,763</u></b>
<b>Liabilities</b>							
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><u>17,497</u></b>	<b><u>1,300</u></b>	<b><u>53,980</u></b>	<b><u>45,360</u></b>	<b><u>-</u></b>	<b><u>3,931</u></b>	<b><u>122,068</u></b>
Total interest rate sensitivity gap	<u>(17,497)</u>	<u>(1,300)</u>	<u>(31,644)</u>	<u>(27,814)</u>	<u>69,461</u>	<u>20,489</u>	<u>11,695</u>
Cumulative interest rate sensitivity gap	<u>(17,497)</u>	<u>(18,797)</u>	<u>(50,441)</u>	<u>(78,255)</u>	<u>(8,794)</u>	<u>11,695</u>	

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017

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

33. Financial instruments - risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	<u>Company</u>						
	<u>2016</u>						
	0-30 days \$'000	31-90 days \$'000	91-365 days \$'000	366 days to 5 years \$'000	Over 5 years \$'000	Non interest sensitive \$'000	Total \$'000
Assets:							
Cash and bank	-	-	-	-	-	1,625	1,625
Resale agreements	-	164	-	-	-	-	164
Investment securities	-	-	-	36,676	64,194	26,001	126,871
Loans receivable	-	3,944	1,359	1,628	211	-	7,142
Other assets	-	-	-	-	-	1,690	1,690
Owed from related parties	-	-	-	-	-	259	259
<b>Total assets</b>	<u>-</u>	<u>4,108</u>	<u>1,359</u>	<u>38,304</u>	<u>64,405</u>	<u>29,575</u>	<u>137,751</u>
Liabilities							
Repurchase agreements	2,010	16,845	4,955	-	-	-	23,810
Owed to related parties	-	-	-	-	-	215	215
Notes payable	-	21,755	53,412	11,443	-	-	86,610
Preference shares	-	-	7,977	-	-	1	7,978
Other liabilities	-	-	-	-	-	4,342	4,342
<b>Total liabilities</b>	<u>2,010</u>	<u>38,600</u>	<u>66,344</u>	<u>11,443</u>	<u>-</u>	<u>4,558</u>	<u>122,955</u>
Total interest rate sensitivity gap	<u>(2,010)</u>	<u>(34,492)</u>	<u>(64,985)</u>	<u>26,861</u>	<u>64,405</u>	<u>25,017</u>	<u>14,796</u>
Cumulative interest rate sensitivity gap	<u>(2,010)</u>	<u>(36,502)</u>	<u>(101,487)</u>	<u>(74,626)</u>	<u>(10,221)</u>	<u>14,796</u>	<u>-</u>

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

	<u>Group</u>		<u>Group</u>	
	<u>2017</u>		<u>2016</u>	
	JMD %	USD %	JMD %	USD %
Assets				
Resale agreements	3.06	1.8	2.37	2.00
Investment securities	7.51	5.18	6.22	6.72
Loans receivable	6.62	4.83	8.70	3.46
Liabilities				
Repurchase agreements	3.16	1.00	9.00	1.79
Notes payable	5.84	2.88	4.52	3.58
Preference shares	<u>8.50</u>	<u>-</u>	<u>8.00</u>	<u>-</u>
	<u>Company</u>		<u>Company</u>	
	<u>2017</u>		<u>2016</u>	
	JMD %	USD %	J\$ %	USD %
Assets				
Resale agreements	-	-	2.00	-
Investment securities	-	5.87	6.00	-
Loans receivable	7.63	4.83	8.70	3.5
Liabilities				
Repurchase agreements	-	3.75	6.21	3.44
Preference shares	<u>8.50</u>	<u>-</u>	<u>8.00</u>	<u>-</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*33. 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.

	<u>Group</u>			
	<u>2017</u>		<u>2016</u>	
J\$ interest rates	Increase by 100 bps Decrease by 100 bps		Increase by 250 bps Decrease by 100 bps	
US\$ interest rates	Increase by 100 bps Decrease by 50 bps		Increase by 200 bps Decrease by 50 bps	
	<u>2017</u>		<u>2016</u>	
	Effect on <u>profit</u> \$'000	Effect on <u>equity</u> \$'000	Effect on <u>profit</u> \$'000	Effect on <u>equity</u> \$'000
Direction of change in basis points:				
Increase in interest rates	(1,344)	2,432	(155)	( 2,420)
Decrease in interest rates	<u>716</u>	<u>(1,347)</u>	<u>155</u>	<u>11,944</u>
	<u>Company</u>			
	<u>2017</u>		<u>2016</u>	
J\$ interest rates	Increase by 100 bps Decrease by 100 bps		Increase by 250 bps Decrease by 100 bps	
US\$ interest rates	Increase by 100 bps Decrease by 50 bps		Increase by 100 bps Decrease by 50 bps	
	Effect on <u>profit</u> \$'000	Effect on <u>equity</u> \$'000	Effect on <u>profit</u> \$'000	Effect on <u>equity</u> \$'000
Direction of change in basis points:				
Increase in interest rates	(278)	885	-	(5,571)
Decrease in interest rates	<u>2</u>	<u>(443)</u>	<u>-</u>	<u>3,022</u>



PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*33. 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 \$3,877,000 (2016: \$1,897,000) for the Group and \$1,406,000 (2016: \$1,815,000) for the Company.

A 10% increase in stock prices at March 31, 2017 would have increased other comprehensive income by \$3,87,700 (2016: \$189,700) for the Group and \$140,600 (2016: \$181,500) 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 the Group's 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%.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*33. 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 subsidiary 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 prescribed 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017

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

33. 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 Ltd</u>		<u>Proven Fund Managers</u>		<u>BOSLIL</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Tier 1 capital:</b>						
Ordinary shares	779	779	8,396	8,396	5,000	-
Retained earnings and reserves	<u>20,623</u>	<u>18,070</u>	<u>(4,651)</u>	<u>(4,651)</u>	<u>13,472</u>	<u>-</u>
Total qualifying tier 1 capital	<u>21,402</u>	<u>18,849</u>	<u>3,745</u>	<u>3,745</u>	<u>18,472</u>	<u>-</u>
<b>Tier 2 capital:</b>						
Unrealised loss	-	-	-	-	1,014	-
Redeemable preference shares, Being Total qualifying tier 2 capital	<u>390</u>	<u>390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total regulatory capital</b>	<u>21,792</u>	<u>19,239</u>	<u>3,745</u>	<u>3,745</u>	<u>19,486</u>	<u>-</u>
<b>Total risk-weighted assets</b>	<u>127,840</u>	<u>132,127</u>	<u>2,031</u>	<u>2,724</u>	<u>148,715</u>	<u>-</u>

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

	<u>Proven Wealth Ltd</u>		<u>Proven Fund Managers</u>		<u>BOSLIL</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(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>12%</u>	<u>11.13%</u>	<u>86.63%</u>	<u>94.93%</u>		
(iii) Regulatory capital to risk-weighted assets:						
Minimum required	10.00%	10.00%	10.00	10.00%		
Actual	<u>16.12%</u>	<u>14.30%</u>	<u>140.83%</u>	<u>110.65%</u>		
(iv) Basel capital ratio:						
Minimum required					4%	4%
Actual					<u>12.14%</u>	<u>9.64%</u>
(v) Basel capital adequacy ratio:						
Minimum required					8%	8%
Actual					<u>13.10%</u>	<u>8.4%</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*34. 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.

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*34. Financial instruments – fair values

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

<b>Type</b>	<b>Valuation techniques</b>
Foreign currency forward contracts	<ul style="list-style-type: none"> <li>• Obtain last traded price of the forward on the date of valuation, provided by the recognised broker/dealer through which the forward contract is obtained.</li> <li>• Apply price to estimate fair value.</li> </ul>
Government of Jamaica securities:	
US\$ denominated Securities	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised independent source, namely, Bloomberg.</li> <li>• Apply price to estimate fair value.</li> </ul>
J\$ Denominated Securities	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised 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>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017

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

34. Financial instruments – fair values

(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>							
2017							
Carrying amount				Fair value			
Notes	Available for sale \$'000	Fair value through profit or loss \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000	
<b>Financial assets measured at fair value</b>							
Quoted equities	5	3,779	98	3,877	3,877	-	3,877
Foreign currency forward	5	-	70	70	-	70	70
Government of Jamaica securities	5	63,725	-	63,725	-	63,725	63,725
Mutual funds	5	38,869	-	38,869	-	38,869	38,869
Global bonds	5	152,421	-	152,421	-	152,421	152,421
Corporate bonds	5	53,072	-	53,072	-	53,072	53,072
Commercial papers	5	150	-	150	-	150	150
Credit link notes	5	11,551	1,941	13,492	-	13,492	13,492
Certificate deposits	5	4,523	-	4,523	-	4,523	4,523
		<u>328,090</u>	<u>2,109</u>	<u>330,199</u>	<u>3,877</u>	<u>326,322</u>	<u>330,199</u>
2016							
Carrying amount				Fair value			
Notes	Available for sale \$'000	Fair value through profit or loss \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000	
<b>Financial assets measured at fair value</b>							
Quoted equities	5	1,832	65	1,897	1,897	-	1,897
Foreign currency forward	5		70	70	-	70	70
Government of Jamaica securities	5	75,318	-	75,318	-	75,318	75,318
Mutual funds		24,116	-	24,116	-	24,116	24,116
Global bonds	5	49,388	-	49,388	-	49,388	49,388
Commercial papers	5	3,968	-	3,968	-	3,968	3,968
Corporate bonds	5	58,733	-	58,733	-	58,733	58,733
Credit link notes	5	12,120	2,000	14,120	-	14,120	14,120
Treasury bills		1,000	-	1,000	-	1,000	1,000
		<u>226,475</u>	<u>2,135</u>	<u>228,610</u>	<u>1,896</u>	<u>226,713</u>	<u>228,610</u>

PROVEN INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

Year ended March 31, 2017*(Presented in United States dollars, except as otherwise stated)*34. Financial instruments – fair values (continued)

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

		<u>Company</u>					
		2017					
		<u>Carrying amount</u>			<u>Fair value</u>		
		Available	Fair value				
<u>Notes</u>	<u>for sale</u>	<u>through</u>	<u>or loss</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	\$'000	profit	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets measured at fair value:</b>							
Quoted equities	5	1,406	-	1,406	1,406	-	1,406
Foreign currency forward	5	-	70	70	-	70	70
Global bonds	5	24,511	-	24,511	-	24,511	24,511
Mutual funds	5	21,313	-	21,313	-	21,313	21,313
Corporate bonds	5	51,270	-	51,270	-	51,270	51,270
Credit link notes	5	11,551	1,941	13,492	-	13,492	13,492
		<u>110,051</u>	<u>2,011</u>	<u>112,062</u>	<u>1,406</u>	<u>110,656</u>	<u>112,062</u>
2016							
		<u>Carrying amount</u>			<u>Fair value</u>		
		Available	Fair value				
<u>Notes</u>	<u>for sale</u>	<u>through</u>	<u>or loss</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	\$'000	profit	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets measured at fair value</b>							
Quoted equities	5	1,815	-	1,815	1,815	-	1,815
Foreign currency forward	5	-	70	70	-	70	70
Global bonds	5	29,615	-	29,615	-	29,615	29,615
Mutual funds	5	24,116	-	24,116	-	24,116	24,116
Corporate bonds	5	57,135	-	57,135	-	57,135	57,135
Credit link notes	5	12,120	2,000	14,120	-	14,120	14,120
		<u>124,801</u>	<u>2,070</u>	<u>126,871</u>	<u>1,815</u>	<u>125,056</u>	<u>126,871</u>

35. Subsequent events

A dividend payment of US\$0.0042 per share was declared at the Board Meeting of Proven Investments Limited which was held on May 25, 2017. Ordinary shareholders who have requested payment in Jamaica dollars will receive the equivalent of J\$0.54615 per share. This dividend payment will be made to all ordinary shareholders on record on June 8, 2017 and will be paid on June 22, 2017.

A dividend payment of J\$0.10312 was also declared for preference shareholders with a record date of June 8, and a payment date of June 15, 2017.

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.