

## **PROVEN INVESTMENT LIMITED REPORTS SIX MONTHS RESULTS**

The Board of Directors of PROVEN Investments Limited (“PIL”) is pleased to report our un-audited financial statements for the six-month period ended September 30, 2012.

### **FINANCIAL HIGHLIGHTS**

- Consolidated Net Profit – US\$2.07 million
- Earnings Per Share – US\$0.0070
- Consolidated Total Assets – US\$135 million
- Return on Equity – 12.16%
- Efficiency Ratio – 52%
- Net Book Value per Share – US\$0.119

### **FINANCIAL REVIEW**

#### **NET PROFIT**

Consolidated Net Profit after Tax for the six-month period ended September 30, 2012 increased 5% year-over-year to US\$2.07 million. After taking into consideration the payment of US\$519,157 in preference share dividends, this translates to an annualized return on equity of 12.16% and earnings per share of US\$0.0070.

#### **NET REVENUE**

Consolidated Net Revenue totalled US\$4.72 million for the period, a 17.4% increase relative to the corresponding period last year. We have made significant strides as it relates to diversifying our revenue streams and we are seeing the benefits of these initiatives. Notably, fees & commissions and foreign exchange gains saw considerably gains during the period and contributed significantly to the growth in revenue adding US\$371,228 in aggregate, compared to US\$18,750 for the corresponding period last year.

Carry-trade also known as spread income, portfolio positioning and private equity transactions continued to be our main revenue drivers and strategic areas of focus.

#### **Carry Trade**

Our carry-trade strategy showed decent growth during the period under review, growing by 18.74% over last year, with net interest income and dividend income from our fixed-income fund holdings aggregating to US\$2.37 million, compared to US\$1.998 million last year.

We continue to successfully raise funds from Notes issued by the company via private placement and to invest these funds in a diversified pool of securities at a positive spread.

### **Portfolio Positioning**

Net Realised Gains contributed 40% or US\$1.89 million to the company's net revenue during the six month period, representing a marginal increase of 0.91% over the corresponding period last year.

As uncertainty and volatility continues to permeate throughout global markets, we saw a marked appreciation in the prices of most of our securities during the final two months of the quarter, reversing most of the declines experienced over the earlier part of the financial year. Our equity portfolio has been reduced considerably and as at the end of the period, over 99% of our investment portfolio comprised fixed income instruments, with 57% of this amount comprising investment grade securities.

We continue to monitor markets, ensuring that we maintain the capacity to exploit trading opportunities as they arise.

### **Private Equity**

#### **PROVEN Wealth Limited**

Proven Wealth Limited ("PWL") performed well during the six month period ended September 30, 2012, contributing US\$371,000 to the Net Profits of the Group. PWL continues to execute its strategy of deleveraging its Balance Sheet and reducing the riskiness of the operations, with Total Assets now amounting to US\$56 million compared to US\$64 million at the beginning of the financial year.

We are pleased to report that PWL became the newest Member Dealer on the Jamaica Stock Exchange ("JSE") when they were awarded a Member Dealer license on Monday, October 8, 2012. The licence will allow PWL to partake in the full suite of opportunities presented on the Exchange, including the ability to buy and sell listed securities on behalf of their clients or on their own behalf and bringing companies and listings to market.

General Manager of the JSE, Mrs. Marlene Street Forrest said, "the Stock Exchange welcomes Proven Wealth as our newest Member Dealer and expects that they will bring new vibrancy and their own brand of energy to the market". She went on to state that "this is the first license that has been issued by the JSE since it was demutualized in 2008. This licence issue is therefore a significant accomplishment, as the commercial arm of the JSE seeks to attract new listings to the market and grow the investor base".

The addition of stockbrokerage services to PWL's array of product and service offerings will strategically compliment their business and provide significant benefits to their clients. PWL will seek to achieve increased market penetration by undertaking a number of strategic initiatives. While the main focus will be to bring new issues to market, they will also strive to add value in a number of ways including a further expansion of the product offerings.

#### **Asset Management Company Limited**

Asset Management Company Limited, which offers consumer, personal and student loans to its customers, contributed US\$232,000 in net revenue during the six month period, with growth in its loan portfolio of 61.2% since the beginning of the financial year.

The product offerings and reach of AMCL will be expanded in the coming months and we expect that this subsidiary we contribute positively to the bottom line of the Group during the 2012/13 financial year.

#### **PROVEN REIT Limited**

PIL is an 85% majority owner of PROVEN REIT Limited, which currently owns a relatively small apartment complex on Kingsway Avenue in St. Andrew, Jamaica. Net rental income for the six month period amounted to US\$15,971, a very small contribution to total revenue. We expect to gradually expand the portfolio in the coming quarters, in small to medium sized investments that offer good rental income and potential of future appreciation.

The PROVEN Team continues to actively explore potential private equity transactions that meet our risk return objectives, while preserving shareholder's capital. We are targeting the Tourism, Healthcare, Security, Real Estate, and Financial Services industries, in Jamaica, Cayman, Dominica, Barbados and Trinidad.

#### **OPERATING EXPENSES**

Consolidated operating expenses amounted to US\$2.45 million, versus US\$1.96 million for the corresponding period last year, reflecting increases in both administrative expenses and in preference dividends paid. The 21% rise in administrative and general expenses, resulted from the inclusion of Asset Management Company Limited, as well as general inflationary pressures. Nonetheless, our efficiency ratio stood at 52%, up from 49% in the six months ended September 30, 2011. We remain committed to carefully managing our expenses and continue to actively seek ways to improve efficiency.

#### **BALANCE SHEET**

As at the end of September, our asset base stood at \$135.37 million, a marginal reduction over the corresponding period last year, with liabilities falling by 6.9% to US\$100.24 million. This occurred as we continue to deleverage the Proven Wealth portfolio and reduce the exposure to short-term Repurchase Agreements.

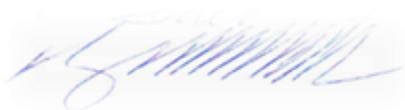
#### **SHAREHOLDER'S EQUITY**

As at September 30, 2012, Shareholder's Equity stood at US\$35 million or US\$0.119 per share, an 18% increase year over year. This is mainly attributable to a significant reduction in net unrealized fair value losses following a rebound in global asset prices. Our capital to asset ratio stood at 26%, up from 22% in the corresponding period in 2011.

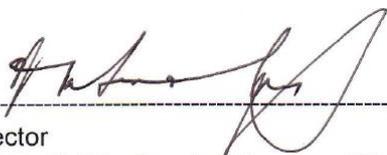
#### **DIVIDEND PAYMENT**

The Board of Directors have approved a dividend payment of US\$0.0025 per share to all ordinary shareholders on record as at November 23, 2012 and to be paid on December 7, 2012. This payment will bring the total dividend for the financial year-to-date to US\$0.0043 per share and represents an annualized tax-free dividend yield of 9.94% on the current price of 8.65 cents per share.

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



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Director



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Director

*On behalf of the Board of Directors of Proven Investment Limited*

**UN-AUDITED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012**

**PROVEN**  
Investments Limited

**UN-AUDITED STATEMENT OF INCOME  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012**

	Six months ended September 2012	Six months ended September 2011	Quarter ended September 2012	Quarter ended September 2011	Year ended March 2012
	<u>US\$</u>			<u>US\$</u>	<u>US\$</u>
<b>INCOME</b>					
Interest Income	4,077,230	3,838,580	1,688,786	2,016,467	7,075,409
Interest expense	(2,310,660)	(2,015,265)	(1,119,227)	(949,104)	(3,979,155)
Net Interest income	<u>1,766,570</u>	<u>1,823,315</u>	<u>569,559</u>	<u>1,067,363</u>	<u>3,096,254</u>
<b>Other income</b>					
Gains on securities trading	1,887,492	1,870,509	1,511,205	1,087,259	3,309,399
Dividend Income	605,792	174,701	291,294	24,727	898,999
Fees & Commissions	180,930	16,075	94,334	9,685	139,926
Foreign exchange translation gains	190,298	2,675	135,754	5,910	(417,064)
Other Income	93,042	138,007	42,215	89,256	6,731
	<u>2,957,554</u>	<u>2,201,967</u>	<u>2,074,802</u>	<u>1,216,837</u>	<u>3,937,991</u>
<b>NET REVENUE</b>	<b>4,724,124</b>	<b>4,025,282</b>	<b>2,644,361</b>	<b>2,284,200</b>	<b>7,034,245</b>
<b>OPERATING EXPENSES</b>					
Preference dividend	519,157	368,942	321,421	247,960	538,363
Administrative and General Expenses	1,927,507	1,592,301	985,148	852,630	3,239,291
	<u>2,446,664</u>	<u>1,961,243</u>	<u>1,306,569</u>	<u>1,100,590</u>	<u>3,777,654</u>
<b>OPERATING PROFIT</b>	<b>2,277,460</b>	<b>2,064,039</b>	<b>1,337,792</b>	<b>1,183,610</b>	<b>3,256,591</b>
Gain/(Loss) on Property Valuation	-	-	-	-	178,823
Gain/(Loss) on Purchase of Subsidiary	-	-	-	-	(9,000)
	<u>2,277,460</u>	<u>2,064,039</u>	<u>1,337,792</u>	<u>1,183,610</u>	<u>3,426,414</u>
<b>Profit before income tax</b>	<b>2,277,460</b>	<b>2,064,039</b>	<b>1,337,792</b>	<b>1,183,610</b>	<b>3,426,414</b>
Income tax	(207,848)	(92,939)	(114,056)	(39,599)	(132,617)
<b>NET PROFIT AFTER TAX</b>	<b>2,069,612</b>	<b>1,971,100</b>	<b>1,223,736</b>	<b>1,144,011</b>	<b>3,293,797</b>
EARNINGS PER STOCK UNIT - US cents	0.70	0.67	0.41	0.50	1.12

**UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

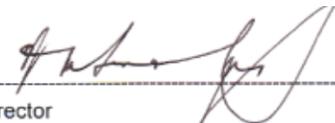
	Six Months ended September 2012	Six months ended September 2011	Quarter ended September 2012	Quarter ended September 2011	Year ended March 2012
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>NET PROFIT</b>	<b>2,069,612</b>	<b>1,971,100</b>	<b>1,223,736</b>	<b>1,144,011</b>	<b>3,293,797</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Unrealised gain (loss) on available-for-sale investments	1,381,842	(4,595,724)	1,717,748	(4,070,207)	(1,487,324)
Foreign exchange translation reserve	(309,889)	(56,233)	(155,714)	(56,233)	(175,536)
	<u>3,141,565</u>	<u>(2,680,857)</u>	<u>2,785,770</u>	<u>(2,982,429)</u>	<u>1,630,937</u>
<b>Total Comprehensive income</b>	<b>3,141,565</b>	<b>(2,680,857)</b>	<b>2,785,770</b>	<b>(2,982,429)</b>	<b>1,630,937</b>

**UN-AUDITED STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2012**

	September 2012 US\$	September 2011 US\$	March 2012 US\$
<b>ASSETS</b>			
Cash and cash equivalents	1,965,152	1,633,306	1,385,361
Available-for-sale investments	111,406,136	108,591,842	112,105,640
Loans Receivable	-	-	-
Other Receivables	20,880,852	26,545,836	23,156,186
Related Company	-	237,836	123,430
Investment Property	762,507	-	785,313
Intangible Assets	5,146	7,410	6,542
Property, plant and equipment	345,508	306,734	381,324
<b>Total Assets</b>	<b>135,365,301</b>	<b>137,322,964</b>	<b>137,943,796</b>
<b>LIABILITIES</b>			
Client liabilities	31,008,295	54,193,692	38,183,415
Bank Overdraft	-	56,160	-
Related company	298,978	-	147,285
Notes Payable	42,335,977	47,727,435	37,791,130
Preference shares	10,906,622	1,000	11,239,949
Other liabilities	15,693,229	5,659,588	17,362,583
<b>Total Liabilities</b>	<b>100,243,101</b>	<b>107,637,875</b>	<b>104,724,362</b>
<b>SHARE HOLDERS' EQUITY</b>			
Share capital	29,657,086	29,657,087	29,657,086
Investment revaluation reserve	(845,934)	(5,336,176)	(2,227,776)
Foreign exchange translation	(458,425)	(29,233)	(148,536)
Retained earnings	6,651,276	5,393,411	5,821,651
<b>Total Shareholder's Equity</b>	<b>35,004,003</b>	<b>29,685,089</b>	<b>33,102,425</b>
Minority Interest	118,197	-	117,009
<b>Total Shareholder's Equity and Liabilities</b>	<b>135,365,301</b>	<b>137,322,964</b>	<b>137,943,796</b>

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

  
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 Director

  
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 Director

**UN-AUDITED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED SEPTEMBER 30 2012**

	Period ended September 2012	Period ended September 2011
	<u>US\$</u>	<u>US\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	2,068,423	1,971,100
Foreign Exchange Translation	(309,889)	(56,233)
Depreciation	38,840	36,062
Income Tax Charge	207,848	109,274
Operating cashflow before movements in working capital	<u>2,005,222</u>	<u>2,060,203</u>
Changes in operating assets and liabilities		
Receivables	2,027,676	(6,248,048)
Client Liabilities	(7,175,120)	(17,073,825)
Payables	(1,629,547)	3,588,002
Related company	275,123	(542,775)
	<u>(4,496,646)</u>	<u>(18,216,443)</u>
Dividend Paid	(1,238,798)	(1,881,054)
Net cash provided by operating activities	<u>(5,735,444)</u>	<u>(20,097,497)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loans	-	7,776,291
Purchase of property ,plant and equipment	(1,625)	(13,399)
Investments	2,104,152	(3,839,663)
Cash used in investing activities	<u>2,102,527</u>	<u>3,923,229</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Notes payable	4,544,847	14,156,065
Issue of Preference Shares	(333,327)	-
Minority Interest	1,189	-
Net cash provided by financing activities	<u>4,212,709</u>	<u>14,156,065</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	579,792	(2,018,203)
Cash and cash equivalents at beginning of period	1,385,361	3,595,350
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>1,965,153</u></u>	<u><u>1,577,147</u></u>

**UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY**  
**SEPTEMBER 30, 2012**

	Share capital	Rights Issue	Minority Interest	Fair value reserves	Foreign exchange translation	Retained earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at April 1, 2012	19,877,065	9,780,022	117,009	(2,227,776)	(148,536)	5,821,651	33,219,435
Total Comprehensive Income for the period			1,188	1,381,842	(309,889)	2,068,423	3,141,564
Dividends to equity holders						(1,238,798)	(1,238,798)
Balance at September 30, 2012	<u>19,877,065</u>	<u>9,780,022</u>	<u>118,197</u>	<u>(845,934)</u>	<u>(458,425)</u>	<u>6,651,276</u>	<u>35,122,201</u>

**UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY**  
**September 30, 2011**

	Share capital	Rights Issue	Minority Interest	Fair value reserves	Foreign exchange translation	Retained earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at April 1, 2011	19,877,065	9,780,022	-	(740,452)	27,000	5,303,365	34,247,000
Total Comprehensive Income for the period				(4,595,724)	(56,233)	1,971,100	(2,680,857)
Dividends to equity holders						(1,881,054)	(1,881,054)
Balance at September 30, 2011	<u>19,877,065</u>	<u>9,780,022</u>	<u>-</u>	<u>(5,336,176)</u>	<u>(29,233)</u>	<u>5,393,411</u>	<u>29,685,089</u>

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

**1. Identification**

Proven Investments Limited (“the Company”) was incorporated in St. Lucia on November 25, 2009 under the International Business Companies Act and commenced operations on March 1, 2010. As of August 17, 2010, the Company entered an agreement with Guardian Holdings Limited to acquire the entire issued share capital of Proven Wealth Limited, formerly Guardian Asset Management Jamaica Limited. The Company’s registered office is located at 20 Micoud Street, Castries, St. Lucia. The subsidiary is incorporated and domiciled in Jamaica.

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

These Interim Financial Reports do not include a full set of explanatory notes which are included in the most recent audited financial statements.

**2. Statement of compliance and basis of preparation**

**Statement of compliance:**

The Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**Basis of measurement:**

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

**Functional and presentation currency:**

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

**Accounting estimates and judgements:**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the period then ended. Actual amounts could differ from those estimates. The estimates and underlying assumptions are reviewed on an 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.

**Significant accounting policies**

**3. Basis of consolidation:**

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

**3(a).Subsidiaries:**

Subsidiaries are all entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently

are exercisable, or exercisable after conversion of convertible instruments, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**3(b). Transactions eliminated on consolidation:**

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

**4. Investment in subsidiary**

Investment in subsidiary is carried at cost.

**5. Investments:**

**Available-for-sale financial assets:**

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

**Investments at fair value through profit or loss:**

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

**Loans and receivables:**

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

**6. Resale agreements**

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

**7. Interest income:**

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

**8. Interest expense:**

Interest expense is recognised in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to its carrying amount. The effective interest rate is established on initial recognition of the financial liability and not

revised subsequently. Interest expense includes coupons paid on fixed rate liabilities and accretion of discount or amortization of premium on instruments issued at other than par.

**9. Share capital:**

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

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

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

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

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