

**PIL**

THE INVESTMENT  
**MAGAZINE**  
SEPTEMBER 2013 EDITION

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# UN-AUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

## Proven Investment Limited Reports Six Months Results

The Board of Directors of PROVEN Investments Limited ("PIL") is pleased to report its unaudited financial statements for the six month period ended September 30, 2013.

### Financial Highlights

US\$2.09 million	_____	• Consolidated Net Profit
US\$0.0071	_____	• Earnings Per Share
US\$131.43 million	_____	• Consolidated Total Assets
12.34%	_____	• Annualized Return on Equity
52%	_____	• Efficiency Ratio
US\$0.0022/7.39%	_____	• Proposed Dividend/Yield

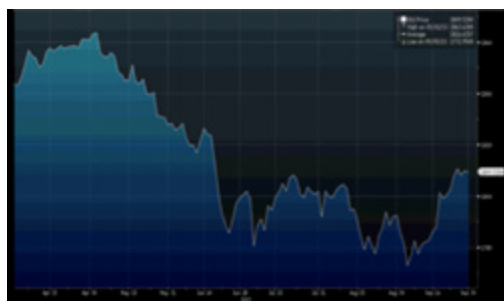
### Financial Review

The global economy continues to grow at a modest pace. Though Europe is still weathering a recession and the major emerging markets are facing less robust growth, the US economy on the other hand continues to show signs of moderate recovery. Global financial markets have continued to experience high levels of volatility, as a result of the prospective changes in US monetary policy, the new monetary stance by Japan's Central Bank and the instability in China's banking system.

Our consolidated net profit for the six month period ended September 30, 2013 increased by just over 1%, standing at US\$2.09 million when compared with the same period last year.

Net revenue amounted to US\$4.53 Million, while return on equity (ROE) amounted to 12.34% on an annualized basis as performance in our three main strategic drivers of income remain solid.

### BARCLAY'S AGGREGATE BOND INDEX



### S&P 500 INDEX



# UN-AUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

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## 1. Carry Trade

Our spread income strategy performed modestly well during the period, as the broad fixed income market gained in the second quarter and interest rates rose (10-year US Treasury yield peaked at 3%) as global capital markets adjusted to the prospects for tapering. Net Interest Income rose marginally to US\$1.79 million from US\$1.77 million in the prior year; however Net Interest Income and Dividend Income were lower in aggregate at US\$2.24 million from US\$2.37 million in the prior year as we continued to strategically reposition our Balance Sheet given the heightened volatility in the markets.

We continue to raise funds by issuing Notes through private placement to execute this carry trade strategy and anticipate that it will continue to perform well over the remainder of the year with yields remaining relatively low over the short to medium term horizon.

## 2. Portfolio Positioning

While certain areas of the market, including high yield and emerging market bonds, performed well during the second quarter as they recovered from the weakness seen in the three months through June, other market segments remained weak, amidst concern that the US Federal Reserve would begin to taper its bond-buying program.

As a result, Gains on Securities Trading amounted to US\$1.52 million in contrast to US\$1.89 million a year earlier when continued quantitative easing in the US, Japan and the EU boosted overall investor sentiment, ignited a significant rebound in undervalued equities and held fixed income yields at historical low levels. In contrast, gains on our Foreign Exchange positions amounted to US\$665k for the six month period compared to US\$190k in the prior period.

While we have increased our equity holdings, as the improving outlook for the US economy continues to fuel a revival of investors' risk appetites and spark a rally in the stock market, fixed income instruments remain the core of our portfolio, with in excess of an 80% share. We continue to monitor the investment arena and strategically adjust our positioning to take advantage of opportunities that fit our risk-reward criteria.

Even though the US Federal Reserve has indicated that it will not taper in the immediate future, given the speculation surrounding when tapering will actually occur, we continue to seek to diversify our portfolio across fixed income sectors and non-bond sources of income with varied risk exposures to lower volatility, while enhancing our expected risk-adjusted returns.

“The only source  
of knowledge  
is experience.”

Albert Einstein

**PROVEN**

**WEALTH**

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# UN-AUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

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## 3. Private Equity

Potential private equity investments throughout the region continue to be an area of focus and over the past few months, we have seen an uptick in deal flow. We are currently exploring a few opportunities, which include direct equity investments as well as Mezzanine debt investments that fit our risk to reward objectives. Our bottom-line continues to be aided by our current private equity holdings:

### **PROVEN Wealth Limited**

Proven Wealth Limited performed well during the first quarter contributing positively to the Net Profits of the Group. Total Assets now stand at US\$41.1M compared to US\$48.7M at the end of the March 2013 financial year, as PWL continues to execute on its strategy of building sound portfolios for its clients.

### **Asset Management Company Limited**

Asset Management Company Limited ("AMCL") during the quarter contributed well to the net revenue of the Group. The company, which offers, consumer, personal, student and micro-business loans, saw the loan portfolio hitting the US\$2m mark during the quarter. During the upcoming quarter, AMCL will be expanding their product offerings, with Insurance Premium Financing and a special loan offer to Civil Servants.

### **PROVEN REIT Limited**

PROVEN REIT Limited, of which PIL is majority owner with an 85% stake, has received the requisite approvals from the various agencies for the development for an apartment complex in Kingston, Jamaica. The development is expected to break ground in January of next year and span a twelve month period.

## 4. Operating Expenses

Operating Expenses remained relatively flat when compared with last year amounting to US\$2.33 million despite continued inflation in the economy. As such, our Efficiency Ratio remained unchanged in the 51.5% region.

# UN-AUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

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## 5. Net Profit

Consolidated Net Profit rose marginally to US\$2.09 million or US\$0.71 cents per share from US\$2.07 million or US\$0.70 cents per share in the prior year period, representing a ROE of 12.34% on an annualized basis.

## 6. Balance Sheet

Our asset base was lower at US\$131.43 million when compared to US\$135.37 million in the prior year period. While our Cash & Cash Equivalents almost doubled during the period, all other assets declined. Liabilities fell marginally to US\$99.2 million from US\$100.24 million despite notable increases in Notes Payable and our Client Liabilities.

## 7. Shareholder's Equity

Shareholder's Equity also declined to US\$32.11 million from US\$35 million on a substantial widening in our Foreign Exchange Translation and Investment Revaluation Reserve due to bond markets prices which have since largely rebounded on no taper news toward the end of September, erasing much of these unrealized losses. Notably, Retained Earnings climbed 18.5% to US\$7.88 million.

## 8. Dividend Payment

The Board of Directors has approved a dividend payment of US\$0.0022 per share to all ordinary shareholders on record as at November 19, 2013 and to be paid on December 3, 2013. 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 7.23% on the current share price of 11.9 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.

## **PROVEN Investments 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.



# **THE UN-AUDITED STATEMENTS**

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**FOR THE SIX MONTHS ENDED  
SEPTEMBER 30, 2013**

# UN-AUDITED STATEMENT OF INCOME

## FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

	Six months ended September 2013	Quarter ended September 2013	Six months ended September 2012	Quarter ended September 2012	Year ended March 2013
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>INCOME</b>					
Interest Income	3,955,293	2,045,761	4,077,230	1,688,786	7,361,000
Interest expense	(2,163,989)	(1,135,523)	(2,310,660)	(1,119,227)	(4,473,792)
Net Interest income	<u>1,791,304</u>	<u>910,238</u>	<u>1,766,570</u>	<u>569,559</u>	<u>2,887,208</u>
<b>Other income</b>					
Gains on securities trading	1,524,253	485,656	1,887,492	1,511,205	4,151,142
Dividend Income	444,944	198,390	605,792	291,294	1,259,781
Fees & Commissions	28,093	8,677	48,416	13,042	55,000
Foreign exchange translation gains/(losses)	665,184	276,955	190,298	135,754	1,571,754
Other Income	71,238	40,441	93,042	42,215	20,416
	<u>2,733,712</u>	<u>1,010,119</u>	<u>2,825,040</u>	<u>1,993,510</u>	<u>7,058,093</u>
<b>NET REVENUE</b>	<b>4,525,016</b>	<b>1,920,357</b>	<b>4,591,610</b>	<b>2,563,069</b>	<b>9,945,301</b>
<b>OPERATING EXPENSES</b>					
Preference dividend	544,181	281,382	519,157	321,421	1,063,579
Administrative and General Expenses	1,787,207	562,387	1,794,993	903,856	4,336,148
	<u>2,331,388</u>	<u>843,769</u>	<u>2,314,150</u>	<u>1,225,277</u>	<u>5,399,727</u>
<b>Profit before income tax</b>	<b>2,193,628</b>	<b>1,076,588</b>	<b>2,277,460</b>	<b>1,337,792</b>	<b>4,545,574</b>
Income tax	(99,385)	(16,160)	(207,848)	(114,056)	(390,042)
<b>NET PROFIT AFTER TAX</b>	<b>2,094,243</b>	<b>1,060,428</b>	<b>2,069,612</b>	<b>1,223,736</b>	<b>4,155,532</b>
<b>EARNINGS PER STOCK UNIT - US cents</b>	<b>0.71</b>	<b>0.36</b>	<b>0.70</b>	<b>0.41</b>	<b>1.41</b>

### UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED SEPTEMBER 30, 2013

	Six months ended September 2013	Quarter ended September 2013	Six months ended September 2012	Quarter ended September 2012	Year ended March 2012
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>NET PROFIT</b>	<b>2,094,243</b>	<b>1,060,428</b>	<b>2,069,612</b>	<b>1,223,736</b>	<b>4,155,532</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Unrealised Gain/(loss) on available-for-sale	(3,713,515)	662,936	1,381,842	1,717,748	2,465,291
Foreign exchange translation reserve	(484,477)	(236,033)	(309,889)	(155,714)	(1,315,163)
<b>Total Comprehensive income</b>	<b>(2,103,749)</b>	<b>1,487,331</b>	<b>3,141,565</b>	<b>2,785,770</b>	<b>5,305,660</b>

# UN-AUDITED STATEMENT OF FINANCIAL POSITION

## FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

**UN-AUDITED STATEMENT OF FINANCIAL POSITION**  
**September 30, 2013**

	September 2013 US\$	September 2012 US\$	March 2013 US\$
<b>ASSETS</b>			
Cash and cash equivalents	3,868,154	1,965,152	3,558,828
Available-for-sale investments	111,376,719	111,406,136	124,261,893
Other Receivables	15,256,351	20,880,852	15,333,643
Related Company	-	-	25,311
Investment Property	662,688	762,507	695,172
Intangible Assets	3,395	5,146	31,877
Property, plant and equipment	266,330	345,508	248,562
<b>Total Assets</b>	<b>131,433,637</b>	<b>135,365,301</b>	<b>144,155,286</b>
 <b>LIABILITIES</b>			
Client liabilities	34,790,479	31,008,295	32,941,844
Related company	255,496	298,978	329,669
Notes Payable	45,709,048	42,335,977	55,309,486
Preference shares	9,447,569	10,906,622	9,922,398
Other liabilities	9,000,540	15,693,229	9,756,689
<b>Total Liabilities</b>	<b>99,203,132</b>	<b>100,243,101</b>	<b>108,260,085</b>
 <b>SHARE HOLDERS' EQUITY</b>			
Share capital	29,657,087	29,657,086	29,657,087
Investment revaluation reserve	(3,477,574)	(845,934)	235,941
Foreign exchange translation	(1,947,263)	(458,425)	(1,462,786)
Retained earnings	7,878,898	6,651,276	7,346,298
<b>Total Shareholder's Equity</b>	<b>32,111,148</b>	<b>35,004,003</b>	<b>35,776,540</b>
Minority Interest	119,357	118,197	118,661
<b>Total Shareholder's Equity and Liabilities</b>	<b>131,433,637</b>	<b>135,365,301</b>	<b>144,155,286</b>



Director



Director

# UN-AUDITED STATEMENT OF CASH FLOWS

## FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

	Period ended September 2013	Period ended September 2012
	<u>US\$</u>	<u>US\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	2,093,547	2,068,423
Foreign Exchange Translation	(484,477)	(309,889)
Depreciation	39,898	38,840
Income Tax Charge	99,385	207,848
Operating cashflow before movements in working capital	1,748,353	2,005,222
Changes in operating assets and liabilities		
Receivables	176,897	2,027,676
Client Liabilities	1,848,636	(7,175,120)
Payables	7,907,954	(1,629,547)
Related company	(48,862)	275,123
	11,632,978	(4,496,646)
Dividend Paid	(1,560,947)	(1,238,798)
Net cash used in operating activities	10,072,031	(5,735,444)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loans	-	-
Purchase of property ,plant and equipment	(29,181)	(1,625)
Investments	8,632,902	2,104,152
Cash (used in)/Provided by investing activities	8,603,721	2,102,527
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Notes payable	(17,892,293)	4,544,847
Issue of Preference Shares	(474,829)	(333,327)
Minority Interest	696	1,189
Net cash provided by financing activities	(18,366,426)	4,212,709
NET DECREASE IN CASH AND CASH EQUIVALENTS	309,326	579,792
Cash and cash equivalents at beginning of period	3,558,828	1,385,361
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,868,154</b>	<b>1,965,153</b>

# UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY

## FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2013

### UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY September 30, 2013

	Share capital US\$	Rights Issue US\$	Minority Interest US\$	Fair value reserves US\$	Foreign exchange translation US\$	Retained earnings US\$	Total US\$
Balance at April 1, 2013	19,877,065	9,780,022	118,661	235,941	(1,462,786)	7,346,299	35,895,201
Total Comprehensive Income for the period			696	(3,713,515)	(484,477)	2,093,546	(2,103,749)
Dividends to equity holders						(1,560,946)	(1,560,946)
Balance at September 30, 2013	<u>19,877,065</u>	<u>9,780,022</u>	<u>119,357</u>	<u>(3,477,574)</u>	<u>(1,947,263)</u>	<u>7,878,899</u>	<u>32,230,506</u>

### UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY September 30, 2012

	Share capital US\$	Rights Issue US\$	Minority Interest US\$	Fair value reserves US\$	Foreign exchange translation US\$	Retained earnings US\$	Total US\$
Balance at April 1, 2011	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>

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# NOTES TO FINANCIAL STATEMENTS

## SEPTEMBER 30, 2013

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### 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.

**"Group" refers to the Company and its subsidiaries, as follows:**

Subsidiaries	Country of incorporation	Nature of Business	Percentage ownership
Proven Wealth Limited	Jamaica	Funds management, investment advisory services, money market and equity trading.	100
Proven REIT Limited and its wholly owned subsidiary	St. Lucia	Real estate investment	85
Proven Kingsway Limited	St. Lucia	Real estate investment	100
Asset Management Company Limited	Jamaica	Hire purchase financing	100

### 2. Statement Of Compliance And Basis Of Preparation

#### Interim Financial Reporting

The condensed consolidated interim financial statements for the six months ended September 30, 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended March 31, 2013 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

There have been no changes in accounting policies since the most recent audited accounts as at March 31, 2013.

# NOTES TO FINANCIAL STATEMENTS

## SEPTEMBER 30, 2013 - Continued

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### 2. Statement Of Compliance And Basis Of Preparation

#### **Basis of Measurement**

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

#### **Functional and Presentation Currency**

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

#### **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**

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### 3. Basis of Consolidation

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

#### **3(a) Subsidiaries**

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



## Significant Accounting Policies Continued

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### **3(a) Subsidiaries Continued**

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. 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.

## Significant Accounting Policies Continued

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### 5. Resale Agreements

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

### 6. Interest Income

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

### 7. Interest Expense

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

## Significant Accounting Policies Continued

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### 8. Share Capital

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

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

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

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

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

# STRONG

In just 3 years of operation, **PROVEN Investments Limited** has grown to just under US\$240 million in assets under management with over 80% being INVESTMENT GRADE securities. This makes **PROVEN Investments Limited** one of the strongest risk weighted companies listed on the Jamaica Stock Exchange.

# PROVEN

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