

# PROVEN

Financials for **SHAREHOLDERS**

FOR THE THIRD QUARTER ENDED December 2011

# Financials for **SHAREHOLDERS**

## **PROVEN INVESTMENTS LIMITED REPORTS THIRD QUARTER RESULTS**

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The Board of Directors of PROVEN Investments Limited ("PIL") is pleased to report our un-audited financial statements for the nine months ended December 31, 2011.

### **NINE MONTHS ENDED DECEMBER 2011 HIGHLIGHTS**

- Consolidated Net Profit – US\$2,529,819
- Earnings Per Share – \$0.0086
- Consolidated Total Assets – US\$140 million
- Return on Average Equity – 9.92%
- Efficiency Ratio – 51 %
- Net Book Value per share – \$0.115

## **FINANCIAL REVIEW**

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### **NET PROFIT**

Consolidated Net Profit after tax for the nine months ended December 31, 2011 amounted to US\$2.53 million, representing a 52% decrease below the corresponding period last year. This reduction is mainly the result of the inclusion in the consolidated results of December 2010 of the gain from the acquisition of Guardian Asset Management Jamaica Limited (renamed Proven Wealth Limited "PWL").

A comparison of net profit exclusive of the extraordinary gain (net of any associated cost) shows an increase in net profit of 2% over the corresponding period in 2010. The profit for the nine months ended December 31, 2011 translates to a return on average equity of 9.92% after the payment of US\$419,608 in preference share dividend.

### **NET REVENUE**

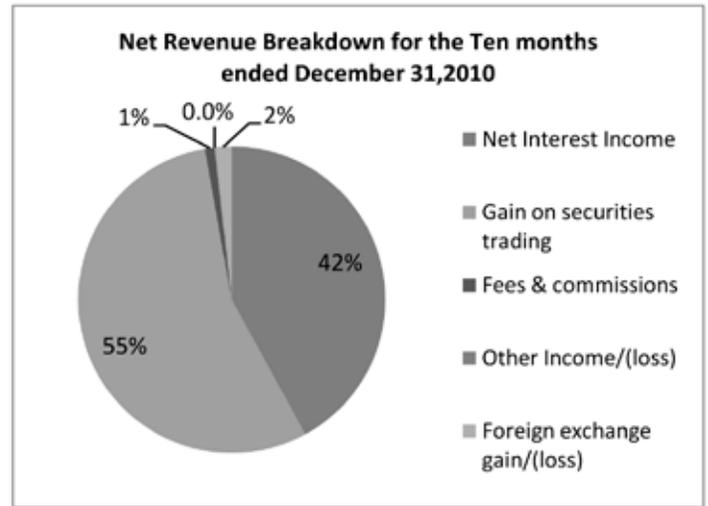
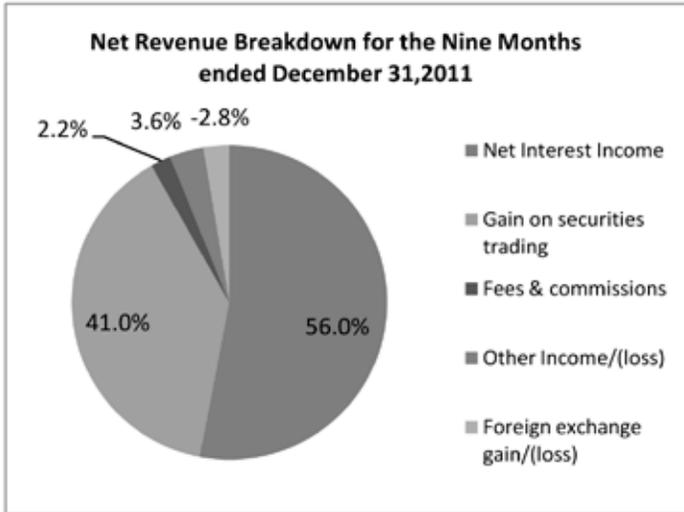
Consolidated Net Revenue for the nine month period amounted to US\$5.51 million. This reflects an increase of 10% when compared with the same period last year, as we continue to execute our strategy of focusing on three main revenue drivers; (i) carry-trade otherwise known as spread income, (ii) portfolio positioning and (iii) private equity transactions.

### **Carry Trade**

Our carry-trade strategy performed well during the period, with net interest income for the nine months amounting to US\$3.09 million compared to US\$2.10 million for the corresponding period last year, representing growth of 47%. This growth is the result of a restructuring of the company's liability structure, with short-term funding being replaced with more stable long-term funding raised from the market to better match the maturity profile our assets and liabilities.

During the quarter, we raised just over US\$3m in notes issued by the company by private placement and also successfully raised J\$1 billion from the public offering of our 5-year 8% JMD Preference Share offer. These funds were invested in regional and international securities at a positive spread.

# Financials for SHAREHOLDERS



## Portfolio Positioning

Net realised gains were US\$2.26 million for the nine month period, or 18% below the US\$2.76 million in the corresponding period in 2010. This reduction came against the backdrop of the global markets continued considerable volatility during the quarter ended December 2011.

## Private Equity

For the nine month period ended December 2011, we had not closed any private equity transactions, as we continue to take a precautionary approach, ensuring that any acquisition opportunities will adequately meet our risk return objectives. . As a result, last year's results which include the gain from the private equity acquisition of Guardian Asset Management Company Limited, has outperformed the results for the nine months of this year.

The PROVEN Team however continues to actively explore potential private equity transactions and are targeting the following industries; Tourism, Healthcare, Security, Education, Real Estate, and Financial Services; in not only Jamaica but other countries throughout the Caribbean such as Cayman, Dominica, Barbados and Trinidad. Over the coming weeks we expect, to conclude the following transactions:

### Asset Management Company Limited

Proven Investments Limited has made an offer to the shareholders of Asset Management Company Limited to purchase 100% of the Issued Ordinary Shares in the company.

The shareholders have accepted the offer.

# Financials for **SHAREHOLDERS**

Asset Management Company Limited, which is incorporated and domiciled in Jamaica, is the owner of the Easy Own brand. Easy Own was launched in October 2006 and allows consumers to purchase furniture and major appliances on hire purchase from participating vendors. Easy Own is currently offered through 7 retailers with a total 22 stores throughout Jamaica.

The principals of the company are Mona Rehabilitation Foundation Limited, BHH Properties Limited, Jeanine Ewart, Jasmine Sappleton and Johann Heaven.

## **PROVEN REIT Limited**

PROVEN REIT Limited, a St. Lucian incorporated IBC has been formed to be the vehicle for real estate related investments for PROVEN Investments Limited. The first of these investments is the purchase of property in the Kingston 6 area of Jamaica.

## **Other Income**

Fees and commission income and other income were US\$120,681 and US\$200,429 respectively, or 5.8% of total revenue and mainly emanated from the structuring of private debt deals which we executed during the quarter of just over J\$700 million.

## **OPERATING EXPENSES**

Consolidated operating expenses for the nine month period amounted to US\$2.8 million after preference share dividend, compared to US\$2.85 million for the corresponding period ending December 2010, which indicates a marginal reduction of 2%. The resultant efficiency ratio of 51% underscores our commitment to manage expenses whilst working towards improving efficiency.

## **BALANCE SHEET**

There was a US\$9.6 million or 22% overall reduction in the asset base over the corresponding period ended December 31, 2010. This reduction flowed from a strategic decision to realign the business model of PWL with a view to manage the size of the balance sheet in order to minimize the financial risk of the portfolio.

Total Consolidated Assets as at December 31, 2011 stood at US\$140 million, with PROVEN Wealth Limited contributing US\$73 million. These assets were funded mainly by client liabilities in the form of Repurchase Agreements with PWL, which had a balance of US\$39 million as at December 31, 2011 in comparison to US\$86 million as at December 2010.

## **SHAREHOLDER'S EQUITY**

Shareholder's Equity stood at US\$33.8 million as at December 31, 2011, with a capital to asset ratio of 24.1% and a book value per share of \$0.115. This represented a marginal decrease of US\$313 thousand or 1% over December 2010, largely as a result of unrealized fair value losses stemming from the downturn currently being experienced in global market prices. We continue to monitor the activities on the global market.

# Financials for **SHAREHOLDERS**

The Shareholder's Equity for December 2010 has been restated to exclude the preference shares, as agreed with PIL's Auditors; the preference shares being reflected as a financial liability and not as equity. The corresponding changes have also been made to the income statement.

## **DIVIDEND PAYMENT**

The Board of Directors have approved a second dividend payment of \$0.0029 per share to all ordinary shareholders on record as at February 24, 2012 and to be paid on March 9, 2012.

This brings the total dividend payment made for the financial year to date of \$0.0043 per share and represents an annualized tax-free dividend yield of 5.21%.

## **PREFERENCE SHARE ISSUE**

PIL's 8% 5-year Preference share offer successfully closed on December 23, 2011 raising J\$1 billion for the Company. The Preference shares were subsequently listed on the Jamaica Stock Exchange on January 31, 2012.

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



Director



Director

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

# PROVEN

Unaudited **STATEMENTS**

FOR THE THIRD QUARTER ENDED December 31, 2011

# Unaudited Statement of FINANCIAL POSITION

## UN-AUDITED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2011

	December 2011 US\$	December 2010 US\$	March 2011 US\$
<b>ASSETS</b>			
Cash and cash equivalents	4,667,737	3,002,056	3,595,350
Available-for-sale investments	106,951,967	124,067,415	109,347,903
Loans Receivable	-	-	7,776,291
Other Receivables	28,025,520	22,355,006	19,634,371
Related Company	-	-	-
Intangible Assets	7,225	5,224	8,666
Property, plant and equipment	321,526	339,577	328,141
<b>Total Assets</b>	<u>139,973,975</u>	<u>149,769,278</u>	<u>140,690,722</u>
<b>LIABILITIES</b>			
Client liabilities	41,418,580	89,231,444	71,267,517
Bank Overdraft	-	-	-
Related company	282,631	8,521	304,939
Notes Payable	37,599,843	18,173,192	33,571,370
Preference shares	11,579,369	1,000	1,000
Other liabilities	15,315,336	8,263,930	1,298,896
<b>Total Liabilities</b>	<u>106,195,759</u>	<u>115,678,087</u>	<u>106,443,722</u>
<b>SHARE HOLDERS' EQUITY</b>			
Share capital	29,657,087	29,659,338	29,657,087
Investment revaluation reserve	(1,767,254)	591,150	(740,452)
Foreign exchange translation	(57,168)	(153,879)	27,000
Retained earnings	5,945,551	3,994,582	5,303,365
<b>Total Shareholder's Equity</b>	<u>33,778,216</u>	<u>34,091,191</u>	<u>34,247,000</u>
<b>Total Shareholder's Equity and Liabilities</b>	<u>139,973,975</u>	<u>149,769,278</u>	<u>140,690,722</u>

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

Director

Director

# Unaudited Statement of INCOME

## UN-AUDITED STATEMENT OF INCOME FOR THE PERIOD ENDED DECEMBER 31, 2011

	Quarter ended December 2011	Quarter ended December 2010	9 Months ended December 2011	10 Months ended December 2010
	US\$	US\$	US\$	US\$
<b>INCOME</b>				
Interest Income	2,200,967	2,805,764	6,220,826	4,885,315
Interest expense	(1,118,012)	(1,743,540)	(3,133,277)	(2,783,060)
Net Interest income	<u>1,082,955</u>	<u>1,062,224</u>	<u>3,087,549</u>	<u>2,102,255</u>
<b>Other income</b>				
Gains on securities trading	386,409	1,201,067	2,256,918	2,757,942
Fees & Commissions	104,606	16,357	120,681	49,922
Foreign exchange translation gains	(159,608)	(91,893)	(156,933)	87,610
Other Income	62,422	2,746	200,429	(1,778)
	<u>393,830</u>	<u>1,128,277</u>	<u>2,421,096</u>	<u>2,893,696</u>
<b>NET REVENUE</b>	<b>1,476,785</b>	<b>2,190,501</b>	<b>5,508,645</b>	<b>4,995,951</b>
<b>OPERATING EXPENSES</b>				
Preference dividend	50,666	177,892	419,608	1,381,827
Administrative and General Expenses	789,871	837,324	2,382,172	1,467,801
	<u>840,538</u>	<u>1,015,216</u>	<u>2,801,781</u>	<u>2,849,628</u>
<b>OPERATING PROFIT</b>	<b>636,247</b>	<b>1,175,285</b>	<b>2,706,864</b>	<b>2,146,323</b>
Gain on purchase of Subsidiary	-	-	-	3,804,400
<b>Profit before income tax</b>	<b>636,247</b>	<b>1,175,285</b>	<b>2,706,864</b>	<b>5,950,723</b>
Income tax	(84,106)	(362,470)	(177,045)	(633,703)
<b>NET PROFIT AFTER TAX</b>	<b><u>552,141</u></b>	<b><u>812,815</u></b>	<b><u>2,529,819</u></b>	<b><u>5,317,020</u></b>
<b>EARNINGS PER STOCK UNIT - US cents</b>	<b>0.19</b>	<b>0.36</b>	<b>0.86</b>	<b>2.34</b>

# Unaudited Statement of **COMPREHENSIVE INCOME**

## UN-AUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2011

	Quarter ended December 2011	Quarter ended December 2010	9 Months ended December 2011	10 Months ended December 2010
	US\$	US\$	US\$	US\$
<b>NET PROFIT</b>	552,141	812,815	2,529,819	5,317,020
<b>OTHER COMPREHENSIVE INCOME</b>				
Unrealised loss on available-for-sale invest	2,828,470	(599,706)	(1,767,254)	591,150
Foreign exchange translation reserve	(935)	-	(57,168)	-
Realized fair value losses/(gains)transferred to consolidated income statement		(610,100)		
<b>Total Comprehensive income</b>	<u>3,379,676</u>	<u>(396,991)</u>	<u>705,397</u>	<u>5,908,170</u>

# Unaudited Statement of **CHANGES IN FINANCIAL EQUITY**

## UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY DECEMBER 31, 2011

	Share capital	Rights Issue	Fair value reserves	Foreign exchange translation	Retained earnings	Total
	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			(1,026,802)	(84,168)	2,529,819	1,418,849
Dividends to equity holders					(1,887,633)	(1,887,633)
Balance at December 31, 2011	<u>19,877,065</u>	<u>9,780,022</u>	<u>(1,767,254)</u>	<u>(57,168)</u>	<u>5,945,551</u>	<u>33,778,216</u>

# Unaudited Statement of **CHANGES IN FINANCIAL EQUITY**

## UN-AUDITED STATEMENT OF CHANGES IN FINANCIAL EQUITY DECEMBER 31, 2010

	Share capital	Rights Issue	Fair value reserves	Foreign exchange translation	Retained earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$
	19,877,065	9,782,273				29,659,338
Total Comprehensive Income for the period			591,150	(153,879)	5,317,020	5,754,291
Dividends to equity holders					(1,322,438) *	(1,322,438)
Balance at December 31, 2010	<u>19,877,065</u>	<u>9,782,273</u>	<u>591,150</u>	<u>(153,879)</u>	<u>3,994,582</u>	<u>34,091,191</u>

\* This figure includes a dividend payment in the amount of US\$526,068 paid from Proven Wealth Limited (PWL) to Guardian Holdings Limited (GHL) during the period. This is pursuant to the terms of the sales agreement signed between PIL and GHL for the purchase of an agreed net asset value in PWL as at July 31, 2010.

# Unaudited Statement of CASH FLOWS

## UN-AUDITED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31 2011

	Period ended December 2011	Period ended December 2010
	<u>US\$</u>	<u>US\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	2,529,819	5,317,020
Foreign Exchange Translation	(84,168)	(153,879)
Depreciation	53,578	-
Income Tax Charge	177,045	633,703
Operating cashflow before movements in working capital	<u>2,676,274</u>	<u>5,796,844</u>
Changes in operating assets and liabilities		
Receivables	(8,391,149)	(22,355,006)
Client Liabilities	(29,848,937)	89,231,444
Payables	13,839,395	7,630,227
Related company	(22,308)	8,521
	<u>(21,746,725)</u>	<u>80,312,030</u>
Dividend Paid	(1,887,633)	(1,322,438)
Net cash provided by operating activities	<u>(23,634,358)</u>	<u>78,989,592</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loans	7,776,291	-
Purchase of property ,plant and equipment	(45,522)	(344,801)
Investments	1,369,135	(123,476,265)
Cash used in investing activities	<u>9,099,904</u>	<u>(123,821,066)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Notes payable	4,028,472	18,173,192
Issue of Preference Shares	11,578,369	1,000
Share Capital Increase	-	29,659,338
Net cash provided by financing activities	<u>15,606,842</u>	<u>47,833,530</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>1,072,387</u>	<u>3,002,056</u>
Cash and cash equivalents at beginning of period	<u>3,595,350</u>	<u>3,002,056</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>4,667,737</u></u>	<u><u>3,002,056</u></u>

# PROVEN

Notes to **FINANCIAL STATEMENTS**

FOR THE THIRD QUARTER ENDED December 31, 2011

# Notes to FINANCIAL STATEMENTS

## 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**

# Notes to FINANCIAL STATEMENTS

## 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.

# Notes to FINANCIAL STATEMENTS

## 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.

