



JMMB GROUP LIMITED

Group Financial Statements

Unaudited Six Months Financial Results for period ended 30 September 2015



JMMB GROUP LIMITED

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ended 30 September 2015**

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JMMB GROUP LIMITED

Unaudited Six Months Financial Results for the period ended 30 September 2015

Directors' Statement

PERFORMANCE HIGHLIGHTS

Net Profit of J\$1.21 billion

Earnings per Stock Unit of J\$0.72, (2014 - \$0.63 **restated**)

Operating Revenue of J\$5.87 billion, grew by 17.8%

Net Interest Income up 2.5% to J\$2.77 billion

Gains on securities trading of J\$2.10 billion up 35.2%

Efficiency ratio 73.0% (2014 – 73.3%)

The Directors are pleased to announce that the JMMB Group has posted a net profit of J\$1.21 billion and earnings per share of J\$0.72 for the six month period ended 30 September 2015. The Group continues to focus on its strategic initiatives of regional diversification while integrating new entities and building core revenues.

The result for the period was impacted by the change in accounting for asset tax expense imposed by the Government of Jamaica. Consequently, asset tax of J\$397.5 million was fully recognized in April 2015, the first quarter; and the prior period results were restated to conform with the new requirements. The full impact of the restatement which amounts to J\$184.9 million is outlined in Note 4.

The Group's Net Interest Income (NII) showed positive growth year-over-year improving by 2.5% to J\$2.77 billion. This increase was driven mainly by increased margins as a result of growth in the Group's loan portfolio in Jamaica and Trinidad and Tobago coupled with reduced cost of funds.

Operating revenues, namely, gains on securities trading, foreign exchange trading, and commission income also reflected increases of 35.2%, 30.5% and 46.4% respectively; these were driven largely by volume increases and taking advantage of market opportunities mainly in Jamaica.

The Merchant Bank in Jamaica continues to show positive results and contributed net profits of J\$221.5 million, an increase of 76.0% over the prior period. These positive results are founded on a high quality balance sheet with 99.8% performing asset coupled with growth in core operations. The bank's loan portfolio grew by 30.2% from 31 March 2015, with a non-performing loans ratio of 1.05%, representing one of the lowest in the industry.

Our operations in the Dominican Republic continue to produce positive results contributing net profits of J\$77.1 million for the period. The Group continues to build out its full range of services in the Dominican Republic which includes money market mutual funds and the newly acquired savings and loan bank, Banco Rio de Ahorro Y Credito JMMB Bank S.A. (JMMB Bank) (Note 5).

In Trinidad and Tobago, the Group's operations continue to move in a positive trajectory, contributing J\$96.8 million for the period. Management continues to build out its integrated financial services model through JMMB Investments Trinidad and Tobago Limited and its commercial banking arm, Intercommercial Bank Limited.

Our efficiency ratio (operating expenses/net operating revenue), an important measure of cost efficiency, was 73.0% at the end of the period compared to 73.3% recorded for the corresponding period. Operating expenses for the period totalled J\$4.3 billion, up 17.3% compared to J\$3.7 billion for the prior year. This increase was mainly attributable to staff related costs, asset tax and expansion of business activities regionally.

The asset base of the JMMB Group increased by J\$6.1 billion or 2.8% for the period, moving from J\$217.7 billion as at 31 March 2015 to J\$223.8 billion. This increase in assets was mainly funded by client deposits. In addition, consistent with the Group's strategy of moving assets off balance sheet, managed funds on a non-recourse basis increased to J\$58.3 billion, up 77.7% compared to J\$32.8 billion for the prior year.

Regulatory Capital Requirements

The individually regulated companies within the Group continue to exceed the regulatory capital requirements. The regulatory ratios for major subsidiaries in the Group are listed below:

Company	Regulatory capital ratio	30 Sep 2015
		<u>%</u>
Jamaica Money Market Brokers Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	15.9
JMMB Merchant Bank Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	18.3
Intercommercial Bank Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	18.0
Intercommercial Trust and Merchant Bank Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	<u>49.5</u>
		RD\$'000
JMMB Puesto de Bolsa, S.A.	Minimum capital of RD \$5 million	<u>1,134,522</u>

Corporate Social Responsibility

In keeping with its mandate to be a responsible corporate citizen, the JMMB Group continues to actively participate and support a range of initiatives in the countries in which it operates namely: the Dominican Republic, Jamaica and Trinidad and Tobago. As such, the JMMB Group has continued to focus on education, entrepreneurship, community outreach initiatives and capacity building.

The Joan Duncan Foundation spearheaded several corporate social responsibility projects in **Jamaica**. Five and a half million dollars (J\$5.5M) was awarded in scholarships to fifty-nine (59) students during the period by the Foundation. Additionally, the Group has shown its continued commitment to the Youth Upliftment Through Employment (YUTE) by providing financial support for YUTE Microwork, a new programme which is aimed at building the capacity of beneficiaries to create self-employment opportunities by accessing international labour markets online. The Foundation also continues to offer ongoing support to entrepreneurship and community outreach.

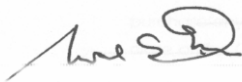
In the **Dominican Republic**, the JMMB Group's corporate social responsibility efforts focused mainly on education and entrepreneurship. Madelaes and Casa Nuestra Senora de La Altagracia, which houses orphaned children, were recipients of donations to assist the children in their back-to-school preparations. The Group continues to provide financial support to the Innovation and Entrepreneurship Tournament held by the Universidad Nacional Pedro Henriquez Urena Centre (UNPH); and a special award for Most Socially Responsible Project was sponsored by JMMB. In addition, the company has established an alliance with the university's SBDC to provide assistance to small and medium businesses.

JMMB Group's corporate social responsibility efforts have been reaffirmed in **Trinidad and Tobago** with focus being placed on youth development and community outreach. Team members gave of their time and provided financial support to four of the country's children's homes to assist with their welfare.

General

The JMMB Group continues to invest for the future with its key strategic imperative of building core revenues across diversified business lines locally and through our regional territories.

As the Group continues to focus on long term sustainable growth and on enhancing shareholders' value, the Directors extend sincere appreciation to our clients, team members and shareholders who continue to support and contribute to our success.



Noel A. Lyon
Chairman



Keith P. Duncan
Group Chief Executive Officer

JMMB GROUP LIMITED

Consolidated Profit and Loss Account

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 30 Sep 15	Restated Unaudited Three Months Ended 30 Sep 14	Unaudited Six Months Ended 30 Sep 15	Restated Unaudited Six Months Ended 30 Sep 14
	\$'000	\$'000	\$'000	\$'000
Net Interest Income and Other Revenue				
Interest income	3,242,123	3,513,667	6,524,092	6,828,103
Interest expense	(1,909,875)	(2,102,349)	(3,754,814)	(4,126,591)
Net interest income	1,332,248	1,411,318	2,769,278	2,701,512
Fees and commission income	250,783	164,649	441,316	301,394
Gains on securities trading, net	869,863	792,687	2,095,557	1,549,949
Foreign exchange trading, net	305,020	217,197	562,013	430,557
Operating revenue net of interest expense	2,757,914	2,585,851	5,868,164	4,983,412
Other Income				
Dividends	7,338	5,093	12,748	8,526
	2,765,252	2,590,944	5,880,912	4,991,938
Operating Expenses	(2,031,422)	(1,661,610)	(4,292,803)	(3,660,832)
Operating Profit	733,830	929,334	1,588,109	1,331,106
Gain on acquisition of subsidiary	-	-	-	9,679
Profit before Taxation	733,830	929,334	1,588,109	1,340,785
Taxation	(126,167)	(149,722)	(377,523)	(261,875)
Profit for the period	607,663	779,612	1,210,586	1,078,910
Attributable to:				
Equity holders of the parent	596,142	745,483	1,181,931	1,023,925
Non-controlling interest	11,521	34,129	28,655	54,985
	607,663	779,612	1,210,586	1,078,910
Earnings per stock unit	\$0.37	\$0.46	\$0.72	\$0.63

JMMB GROUP LIMITED

Consolidated Statement of Comprehensive Income

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 30 Sep 15	Restated Unaudited Three Months Ended 30 Sep 14	Unaudited Six Months Ended 30 Sep 15	Restated Unaudited Six Months Ended 30 Sep 14
	\$'000	\$'000	\$'000	\$'000
Profit for the period	607,663	779,612	1,210,586	1,078,910
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
Unrealised gains/(loss) on available for sale investments	(1,360,307)	1,219,539	(1,062,956)	1,530,777
Foreign exchange translation differences	(93,475)	(405,639)	(47,169)	(338,205)
	(1,453,782)	813,900	(1,110,125)	1,192,572
Total comprehensive income for period, net of tax	(846,119)	1,593,512	100,461	2,271,482
Total comprehensive income attributable to:				
Equity holders of the parent	(730,211)	1,254,410	105,723	1,892,225
Non-controlling interest	(115,908)	339,102	(5,262)	379,257
	(846,119)	1,593,512	100,461	2,271,482

JMMB GROUP LIMITED

Consolidated Statement of Financial Position

30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Unaudited as at 30 Sep 15</u>	<u>Restated Unaudited as at 30 Sep 14</u>	<u>Audited as at 31 March 15</u>
	\$'000	\$'000	\$'000
ASSETS			
Cash and cash equivalents	23,565,829	24,514,229	18,672,388
Interest receivable	2,500,579	2,683,017	2,561,634
Income tax recoverable	1,898,890	2,112,205	2,130,926
Loans and notes receivable, net of provision	35,630,011	29,159,227	31,924,543
Other receivables	1,699,735	2,287,178	1,245,160
Investments and resale agreements	154,329,497	159,098,589	157,499,353
Investment properties	457,591	457,591	457,591
Deferred tax asset	98,540	129,924	38,933
Property, plant and equipment and intangible assets	3,566,263	2,931,362	3,093,965
Customers' liability under acceptances, guarantees and letters of credit as per contra	56,595	364,568	90,809
	<u>223,803,530</u>	<u>223,737,890</u>	<u>217,715,302</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	1,864,054	1,864,054	1,864,054
Retained earnings reserve	9,605,055	9,605,055	9,605,055
Investment revaluation reserve	1,022,588	1,842,903	2,037,032
Cumulative translation reserve	(170,778)	(281,972)	(109,014)
Retained earnings	8,488,630	6,920,420	7,567,587
	20,809,549	19,950,460	20,964,714
Non-controlling interest	753,088	732,808	758,350
Total equity	<u>21,562,637</u>	<u>20,683,268</u>	<u>21,723,064</u>
Liabilities			
Customer deposits	40,928,065	38,241,973	38,463,504
Due to other banks	518,564	333,429	435,032
Loan participations	-	2,180,947	-
Notes payable	4,262,085	1,414,400	3,644,384
Securities sold under agreements to repurchase	146,562,729	151,402,940	144,501,658
Redeemable preference shares	4,228,705	4,228,705	4,228,705
Interest payable	1,220,567	1,322,252	1,185,595
Income tax payable	425,276	79,917	397,758
Other payable	3,306,811	2,605,418	2,362,486
Deferred tax liability	731,496	880,073	682,307
Liabilities under acceptances, guarantees and letters of credit as per contra	56,595	364,568	90,809
	<u>202,240,893</u>	<u>203,054,622</u>	<u>195,992,238</u>
	<u>223,803,530</u>	<u>223,737,890</u>	<u>217,715,302</u>

JMMB GROUP LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Retained Earnings Reserve	Investment Revaluation Reserve	Cumulative Translation Reserve	Retained Earnings	Attributable to Equity holders of the Parent	Non- Controlling Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at 31 March 2014 (Audited)	1,864,054	9,605,055	636,397	56,233	6,173,689	18,335,428	353,552	18,688,980
Profit for the period	-	-	-	-	1,208,831	1,208,831	54,985	1,263,816
Prior period adjustment, IFRIC 21 (Note 4)	-	-	-	-	(184,906)	(184,906)	-	(184,906)
Profit for the period restated	-	-	-	-	1,023,925	1,023,925	54,985	1,078,910
Other comprehensive income for period	-	-	1,206,506	(338,205)	-	868,301	324,271	1,192,572
Dividends paid	-	-	-	-	(277,194)	(277,194)	-	(277,194)
Balances at 30 September 2014 (Unaudited)	1,864,054	9,605,055	1,842,903	(281,972)	6,920,420	19,950,460	732,808	20,683,268
Balances at 31 March 2015 (Audited)	1,864,054	9,605,055	2,037,032	(109,014)	7,567,587	20,964,714	758,350	21,723,064
Profit for the period	-	-	-	-	1,181,931	1,181,931	28,655	1,210,586
Other comprehensive income for period	-	-	(1,014,444)	(61,764)	-	(1,076,208)	(33,917)	(1,110,125)
Dividends paid	-	-	-	-	(260,888)	(260,888)	-	(260,888)
Balances at 30 September 2015 (Unaudited)	1,864,054	9,605,055	1,022,588	(170,778)	8,488,630	20,809,549	753,088	21,562,637

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Six Months Ended 30 Sep 15 \$'000	Restated Unaudited Six Months Ended 30 Sep 14 \$'000
Cash Flows from Operating Activities		
Profit for the period	1,210,586	1,078,910
Adjustments for:		
Gain on acquisition of subsidiary	-	(9,679)
Unrealised (gain)/loss on trading securities	(29,185)	77,447
Depreciation and amortisation	248,007	208,555
	<u>1,429,408</u>	<u>1,355,233</u>
Changes in operating assets and liabilities	1,468,273	8,205,222
Net cash provided by operating activities	<u>2,897,681</u>	<u>9,560,455</u>
Cash Flows from Investing Activities		
Net purchase of investment securities	2,255,556	(11,377,827)
Acquisition of subsidiaries net of cash acquired	10,497	(14,862)
Purchase of property, plant and equipment and computer software	(568,706)	(285,310)
Net cash provided by/(used in) investing activities	<u>1,697,347</u>	<u>(11,677,999)</u>
Cash Flows from Financing Activities		
Proceeds from issue of subordinated debt	-	1,401,600
Loan participation	-	2,180,947
Notes payable	559,301	-
Dividends paid	(260,888)	(277,194)
Net cash provided by financing activities	<u>298,413</u>	<u>3,305,353</u>
Net increase in cash and cash equivalents	<u>4,893,441</u>	<u>1,187,809</u>
Cash and cash equivalents at beginning of year	<u>18,672,388</u>	<u>23,326,420</u>
Cash and cash equivalents at end of period	<u>23,565,829</u>	<u>24,514,229</u>

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Six months period ended 30 September 2015				
	Financial & Related Services \$'000	Banking & Related Services \$'000	Other \$'000	Eliminations \$'000	Total \$'000
External revenues	7,370,168	2,199,705	65,853	-	9,635,726
Intersegment revenue	217,509	88,173	4,946	(310,628)	-
Total segment revenue	<u>7,587,677</u>	<u>2,287,878</u>	<u>70,799</u>	<u>(310,628)</u>	<u>9,635,726</u>
Segment results	1,259,118	328,275	716	-	1,588,109
Taxation					<u>(377,523)</u>
Profit for the period					<u>1,210,586</u>
Total segment assets	<u>193,192,574</u>	<u>61,324,038</u>	<u>1,173,610</u>	<u>(31,886,692)</u>	<u>223,803,530</u>
Total segment liabilities	<u>171,444,077</u>	<u>52,193,172</u>	<u>1,111,825</u>	<u>(22,508,181)</u>	<u>202,240,893</u>
Interest income	4,899,069	1,624,149	874	-	6,524,092
Operating expenses	2,958,482	1,263,518	70,803	-	4,292,803
Depreciation and amortisation	214,914	30,136	2,957	-	248,007
Capital expenditure	<u>458,946</u>	<u>109,760</u>	<u>-</u>	<u>-</u>	<u>568,706</u>

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Six months period ended 30 September 2014				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	7,093,336	2,008,028	17,165	-	9,118,529
Intersegment revenue	236,019	82,348	6,639	(325,006)	-
Total segment revenue	<u>7,329,355</u>	<u>2,090,376</u>	<u>23,804</u>	<u>(325,006)</u>	<u>9,118,529</u>
Segment results	1,090,160	241,457	(511)	-	1,331,106
Gain on acquisition of subsidiary					<u>9,679</u>
Profit before tax					1,340,785
Taxation					<u>(261,875)</u>
Profit for the period					<u>1,078,910</u>
Total segment assets	<u>189,328,225</u>	<u>61,106,240</u>	<u>919,847</u>	<u>(27,616,422)</u>	<u>223,737,890</u>
Total segment liabilities	<u>168,216,943</u>	<u>52,689,808</u>	<u>856,227</u>	<u>(18,708,356)</u>	<u>203,054,622</u>
Interest income	5,210,028	1,617,956	119	-	6,828,103
Operating expenses	3,011,743	625,318	23,771	-	3,660,832
Depreciation and amortisation	108,676	98,662	1,217	-	208,555
Capital expenditure	<u>232,869</u>	<u>52,441</u>	<u>-</u>	<u>-</u>	<u>285,310</u>

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

1. Identification

JMMB Group Limited (the “company”) is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Haughton Terrace, Kingston 10, Jamaica. The principal activity of the Company is that of holding equity investments in business enterprises.

The company is listed on the Jamaica Stock Exchange (JSE), Barbados Stock Exchange (BSE) and Trinidad and Tobago Stock Exchange (TTSE).

It has nine subsidiaries incorporated in Jamaica, and there are other subsidiaries incorporated outside of Jamaica. The operating subsidiaries are listed below. The company and its subsidiaries are collectively referred to as “The Group”.

Name of Subsidiary	% Shareholding Held by Parent/Subsidiary		Country of Incorporation	Principal Activities
	Parent	Subsidiary		
Jamaica Money Market Brokers Limited and its subsidiaries	100		Jamaica	Securities brokering
JMMB Securities Limited		100	Jamaica	Stock brokering
JMMB Insurance Brokers Limited		100	Jamaica	Insurance brokering
JMMB Real Estate Holdings Limited		100	Jamaica	Real estate holding
Capital & Credit Securities Limited		100	Jamaica	Investment holding
JMMB Fund Managers Limited		100	Jamaica	Fund management
JMMB International Limited		100	St. Lucia	Investment holding and management
Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its subsidiaries	100		Trinidad and Tobago	Investment holding company
JMMB Investments (Trinidad and Tobago) Limited and its subsidiary		100	Trinidad and Tobago	Securities brokering
JMMB Securities (T&T) Limited		100	Trinidad and Tobago	Stock brokering
Intercommercial Bank Limited and its subsidiary,		100	Trinidad and Tobago	Commercial Banking
Intercommercial Trust and Merchant Bank Limited		100	Trinidad and Tobago	Merchant Banking
JMMB Holding Company Limited, SRL and its subsidiaries	100		Dominican Republic	Investment holding and management
JMMB Puesto de Bolsa, S.A.		80	Dominican Republic	Securities brokering
JMMB Sociedad Administradora De Fondos De Inversion, S.A.		70	Dominican Republic	Mutual fund administration
Banco Rio De Ahorro Y Credito		90	Dominican Republic	Savings and loans bank
JMMB Bank S.A			Dominican Republic	
Capital & Credit Financial Group Limited and its subsidiaries	100		Jamaica	Investment holding
JMMB Money Transfer Limited, formerly Capital & Credit Remittance Limited		100	Jamaica	Funds transfer
Capital & Credit Holdings Inc.		100	United States of America	Investment holding
JMMB Merchant Bank Limited		100	Jamaica	Merchant Banking

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

2. Group reorganisation

On 13 April 2015, Jamaica Money Market Brokers Limited under an approved Scheme of Arrangement was delisted from the Jamaica Stock Exchange (JSE), Barbados Stock Exchange (BSE) and Trinidad and Tobago Stock Exchange (TTSE). Simultaneously the ordinary shares of the new ultimate parent company JMMB Group Limited were listed on those exchanges. The mechanics of the scheme involved the following:

- (i) The 1,630,552,530 existing JMMB ordinary shares held by members of the public being cancelled and simultaneously 1,630,552,530 new ordinary shares issued to JMMB Group Limited, making Jamaica Money Market Brokers Limited (JMMB) a wholly owned subsidiary of JMMB Group Limited (JMMB Group).
- (ii) In consideration of the cancellation of the existing JMMB ordinary shares, JMMB Group Limited issued ordinary shares for the benefit of each eligible person (credited and fully paid up) distributed at a rate of one new JMMB Group ordinary share for each cancelled JMMB ordinary share.
- (iii) JMMB Group applying and listing its ordinary shares on the JSE, TTSE and BSE.

There was no financial impact to the Group financial results as a result of the reorganisation.

3. Summary of Significant Accounting Policies

(a) Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, as well as investment properties.

There have been no changes in accounting policies since the most recent audited accounts as at 31 March 2015.

All amounts are stated in Jamaican dollars unless otherwise indicated.

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the company and its subsidiaries presented as a single economic entity.

Subsidiaries are all entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity. Subsidiaries are consolidated from the date on which control is attained by the Group. They are no longer consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are consistent with those of the Group.

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

The Group uses the acquisition method of accounting for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of revenue and expenses.

(i) Non-controlling interest

Non-controlling interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary; any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value.

(c) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors.

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of Significant Accounting Policies (Continued)

(d) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

(i) Current taxation

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred taxation

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

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.

(e) Cash and cash equivalents

Cash comprises cash in hand, demand and call deposits with banks and very short-term balances with other brokers/dealers. Cash equivalents are highly liquid financial assets that are readily convertible to known amounts of cash (that is, with original maturities of less than three months), which are subject to insignificant risk of changes in value, and are used for the purpose of meeting short-term commitments. Cash and cash equivalents are carried at cost.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of Significant Accounting Policies (Continued)

(f) Resale and repurchase agreements

Transactions involving purchases of securities under resale agreements ('resale agreements' or reverse repos) or sales of securities under repurchase agreements ('repurchase agreements' or 'repos) are accounted for as short-term collateralised lending and borrowing, respectively. Accordingly, securities sold under repurchase agreements remain on the statement of financial position and are measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. Securities purchased under resale agreements are reported not as purchases of the securities, but as receivables and are carried in the statement of financial position at amortised cost. It is the policy of the Group to obtain possession of collateral with a market value in excess of the principal amount loaned under resale agreements.

Interest earned on resale agreements and interest incurred on repurchase agreements is recognised as interest income and interest expense, respectively, over the life of each agreement using the effective interest method.

(g) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

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 in other comprehensive income and reflected in investment revaluation reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit and loss account.

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.

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of Significant Accounting Policies (Continued)

(g) Financial assets (continued)

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 amortised cost using the effective interest method, except when the Group chooses to designate the loans and receivables at fair value through profit or loss.

Investment properties

Investment properties are held for rental yields and fair value gains and are not occupied by the Group. Investment properties are treated as a long-term investment and are carried at fair value, representing open market value determined annually by the directors or by independent valuers. Changes in fair values are recognised in the profit or loss. Rental income from investment properties is recognised in the profit and loss on a straight line basis over the tenor of the lease.

(h) Borrowings

Borrowings (other than repos) are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(i) Earnings per stock unit

Earnings per stock unit ("EPS") is computed by dividing profit attributable to the equity holders of the parent of J\$1,181,931,000 (2014 – J\$1,023,925,000) by the weighted average number of stock units in issue during the period, numbering 1,630,552,530 (2014 – 1,630,552,530).

(j) Managed funds

The company acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. At 30 September 2015, funds managed in this way amounted to J\$58,276,702,000 (2014 – J\$32,803,456,000).

(k) Comparative Information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period. In particular, profit and loss, statement of financial position, cash flows and segment report have been restated to reflect adoption of IFRIC 21, Levies on basis consistent with internal management reporting (Note 4).

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

4. Restatement of Comparative Financial Information

The Group has adopted IFRIC 21, *Levies*, which is effective for annual reporting periods beginning on or after January 1, 2014, in respect of the recognition of assets tax. IFRIC 21 clarifies that the obligating event that gives rise to the payment of a levy is the event identified by the legislation that triggers the obligation to pay the levy. It has been determined that the obligating event for assets tax under the Assets Tax (Specified Bodies) Act is the entity being in existence for any part of the year of assessment. The liability is therefore triggered on the first day of the Group's financial year. Consequently, the full liability for the asset tax, amounting to \$397.5 million for 2015/2016, has been recognized on April 1, 2015. The amounts for the corresponding quarters of 2014/2015 have been restated to show the effect of these changes on the consolidated profit and loss and statement of financial position as set out below:

	As previously reported 30 Sep 2014	Effect of IFRIC 21	Restated 30 Sep 2014
	\$'000	\$'000	\$'000
Consolidated profit and loss			
Net operating revenue	4,991,939	-	4,991,938
Operating Expenses	(3,475,926)	(184,906)	(3,660,832)
Operating Profit	1,516,012	(184,906)	1,331,106
Gain on acquisition of subsidiaries	9,679	-	9,679
Profit before Taxation	1,525,691	(184,906)	1,340,785
Taxation	(261,875)	-	(261,875)
Profit for the period	1,263,816	(184,906)	1,078,910
Consolidated Statement of Financial Position			
Total Assets	223,737,890	-	223,737,890
Total Liabilities	202,869,716	184,906	203,054,622
Equity	20,868,174	(184,906)	20,683,268

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 September 2015

(Expressed in Jamaican dollars unless otherwise indicated)

5. Business Combinations

Acquisition of Banco Rio De Ahorro Y Credito

On 1 July 2015, JMMB Holding Company Limited, SRL, a 100% owned subsidiary, acquired 90% equity and obtained management control of Banco Rio De Ahorro Y Credito JMMB Bank S.A., a savings and loan bank in the Dominican Republic for US\$2,150,000 (J\$254.5 million).

Valuations of acquired tangible and intangible assets are not finalised. Management has utilised provisions under IFRS 3 which allows the acquirer reasonable time to obtain information necessary to identify and measure identifiable assets acquired and liabilities assumed. Management expects that this assessment will be concluded by the financial year end. Details of the provisional purchase price allocation among net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration – cash paid	254,512
Fair value of net assets acquired	(155,791)
Goodwill	<u>98,721</u>

The assets and liabilities arising from the acquisition are as follows:

	Fair Value
	\$'000
Cash and cash equivalents	265,009
Investment securities	166,639
Loans and notes receivable	757,648
Property, plant and equipment and intangible assets	2,677
Accounts receivable	37,926
Customer deposits	(1,034,032)
Due to financial institutions	(781)
Accounts payable	<u>(21,985)</u>
Net assets	<u>173,101</u>
Net assets acquired 90%	<u>155,791</u>
Cash consideration	(254,512)
Cash and cash equivalents acquired	<u>265,009</u>
Net cash inflow on acquisition	<u>10,497</u>

Since the acquisition, the acquired business has contributed J\$52,081,000 in revenues and incurred operating expenses of J\$55,224,000 for the Group.