



JMMB GROUP LIMITED

Group Financial Statements

Unaudited Nine Months Financial Results for period ended 31 December 2015



JMMB GROUP LIMITED

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JMMB GROUP LIMITED

Unaudited Nine Months Financial Results for the period ended 31 December 2015

Directors' Statement

PERFORMANCE HIGHLIGHTS

Net Profit of J\$1.73 billion

Earnings per Stock Unit of J\$1.04

Operating Revenues of J\$8.5 billion, grew by 9.2%

Gains on securities trading of J\$2.8 billion up 12.8%

Efficiency ratio 74.0% (2014 – 71.1%)

The Directors are pleased to announce that the JMMB Group has posted a net profit of J\$1.73 billion and earnings per share of J\$1.04 for the nine month period ended 31 December 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\$90.3 million is outlined in Note 4.

Operating revenues showed positive growth year-over-year improving by 9.2% to J\$8.5 billion. In particular, gains on securities trading, foreign exchange trading, and commission income reflected increases of 12.8%, 16.4% and 29.8% 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\$329.9 million, an increase of 40% over the prior period. The positive earnings trajectory and growth in the bank are founded on a high quality balance sheet with a 99.8% performing asset ratio. The bank's loan portfolio grew by 32.4% from 31 March 2015, with a non-performing loans ratio of 1.7%, representing one of the lowest in the industry.

Our operations in the Dominican Republic continue to produce positive results with the Puesto De Bolsa contributing net profits of J\$160.1 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). The Group also obtained approval from the Regulatory authority in December 2015, as a new licensee, to administer Pension Funds in the Dominican Republic. This is the first new license granted in seventeen (17) years.

In Trinidad and Tobago, the Group's operations continue to move in a positive trajectory, contributing J\$186.9 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 74.0% at the end of the period compared to 71.1% recorded for the corresponding period. Operating expenses for the period totalled J\$6.3 billion, up 13.6% compared to J\$5.4 billion for the prior year. This increase was mainly attributable to increase in asset tax of J\$23.4 million and build out of new business lines in Dominican Republic and Trinidad & Tobago which accounted for J\$268.3 million. Excluding the impact of these costs, increase in operating expenses would be approximately 8.4%.

The asset base of the JMMB Group increased by J\$7.1 billion or 3.3% for the period, moving from J\$217.7 billion as at 31 March 2015 to J\$224.9 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\$65.1 billion, up 60.1% compared to J\$40.7 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	31 Dec 2015
		%
Jamaica Money Market Brokers Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	14.7
JMMB Merchant Bank Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	19.7
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%)	49.0
		RD\$'000
JMMB Puesto de Bolsa, S.A.	Minimum capital of RD \$5 million	1,129,749

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 focused on: education, entrepreneurship, transformational leadership and community outreach initiatives.

In **Jamaica**, the Joan Duncan Foundation spearheaded several corporate social responsibility projects over the quarter. The Foundation launched its national project, Conversations for Greatness. The transformational project is being implemented in collaboration with the Ministry of Education and will target 148 schools over a two-year period. In a bid to encourage entrepreneurship, the Foundation has maintained its commitment to the Vincent HoSang/ UWI Venture Competition. The Foundation also continues to offer ongoing financial support to a range of educational and community outreach initiatives in partnership with JMMB team members.

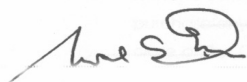
In **Trinidad & Tobago**, the JMMB Group through its subsidiaries, continues to lend financial support to the National Mental Math Marathon, which is designed to encourage the students to seek solutions by adapting critical and creative thinking. This has been a 15 year joint initiative with the Ministry of Education. Additionally, financial contributions were made to several fundraising initiatives in partnership with local charity groups to assist children's homes and provide pacemakers for poorer countries served by Heartbeat International, an NGO.

In the **Dominican Republic**, the team remains committed to partnering with UNPHU Emprende, the Entrepreneur division of the Universidad Nacional Pedro Henriquez Ureña, by facilitating mentorship opportunities for the businesses. Additionally, the company is seeking to establish 1 of 4 national entrepreneurship centres with UNPHU-as a joint initiative with the government, the education ministry and private sector. JMMB Puesto de Bolsa continues to provide financial assistance to selected children's homes in support of the welfare of these orphaned children.

General

The JMMB Group continues to invest for the future with its key strategic imperative of building core revenues through a diversified business model. Of note, Group's recent preference share offering which closed in January 2016, was oversubscribed by 135.5% raising approximately J\$7.1 billion. This overwhelming response underlines various stakeholders' confidence in the Group.

The JMMB Group will also continue to focus on long term sustainable growth and the further enhancement of shareholder value. The Directors extend sincere appreciation to our clients, team members and shareholders who continue to support and contribute to its success.



Noel A. Lyon
Chairman



Keith P. Duncan
Group Chief Executive Officer

JMMB GROUP LIMITED

Consolidated Profit and Loss Account

Period ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 31 Dec 15	Restated Unaudited Three Months Ended 31 Dec 14	Unaudited Nine Months Ended 31 Dec 15	Restated Unaudited Nine Months Ended 31 Dec 14
	\$'000	\$'000	\$'000	\$'000
Net Interest Income and Other Revenue				
Interest income	3,398,983	3,430,577	9,923,075	10,258,680
Interest expense	(1,941,222)	(2,031,403)	(5,696,036)	(6,157,994)
Net interest income	1,457,761	1,399,174	4,227,039	4,100,686
Fees and commission income	231,320	216,962	672,636	518,357
Gains on securities trading, net	714,402	941,874	2,809,959	2,491,823
Foreign exchange margins from cambio trading	227,471	247,892	789,484	678,449
Operating revenue net of interest expense	2,630,954	2,805,902	8,499,118	7,789,315
Other Income				
Dividends	3,674	2,615	16,422	11,141
	2,634,628	2,808,517	8,515,540	7,800,456
Operating Expenses	(2,006,361)	(1,877,545)	(6,299,164)	(5,542,806)
Operating Profit	628,267	930,972	2,216,376	2,257,650
Gain on acquisition of subsidiary	-	-	-	9,679
Profit before Taxation	628,267	930,972	2,216,376	2,267,329
Taxation	(106,133)	(141,096)	(483,656)	(402,972)
Profit for the period	522,134	789,876	1,732,720	1,864,357
Attributable to:				
Equity holders of the parent	518,764	743,265	1,700,695	1,762,761
Non-controlling interest	3,370	46,611	32,025	101,596
	522,134	789,876	1,732,720	1,864,357
Earnings per stock unit	\$0.32	\$0.46	\$1.04	\$1.08

JMMB GROUP LIMITED

Consolidated Statement of Comprehensive Income

Period ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Unaudited</u> <u>Three Months</u> <u>Ended</u> <u>31 Dec 15</u>	<u>Restated</u> <u>Unaudited</u> <u>Three Months</u> <u>Ended</u> <u>31 Dec 14</u>	<u>Unaudited</u> <u>Nine Months</u> <u>Ended</u> <u>31 Dec 15</u>	<u>Restated</u> <u>Unaudited</u> <u>Nine Months</u> <u>Ended</u> <u>31 Dec 14</u>
	\$'000	\$'000	\$'000	\$'000
Profit for the period	522,134	789,876	1,732,720	1,864,357
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
Unrealised (losses)/ gains on available for sale investments	(483,767)	(1,227,691)	(1,598,900)	303,085
Foreign exchange translation gains/(losses)	98,485	105,060	103,494	(233,145)
	(385,282)	(1,122,631)	(1,495,406)	69,940
Total comprehensive income for period, net of tax	136,852	(332,755)	237,314	1,934,297
Total comprehensive income attributable to:				
Equity holders of the parent	152,714	(231,323)	258,437	1,656,471
Non-controlling interest	(15,862)	(101,432)	(21,123)	277,826
	136,852	(332,755)	237,314	1,934,297

JMMB GROUP LIMITED

Consolidated Statement of Financial Position

31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Unaudited</u> as at 31 Dec 15	<u>Restated</u> Unaudited as at 31 Dec 14	<u>Audited</u> as at 31 March 15
	\$'000	\$'000	\$'000
ASSETS			
Cash and cash equivalents	23,679,093	19,566,905	18,672,388
Interest receivable	3,007,395	2,908,103	2,561,634
Income tax recoverable	1,761,409	2,108,763	2,130,926
Loans and notes receivable, net of provision	36,495,584	30,298,565	31,924,543
Other receivables	1,366,642	1,389,048	1,245,160
Investments and resale agreements	154,215,760	159,057,879	157,499,353
Investment properties	457,591	457,591	457,591
Deferred tax asset	127,994	155,189	38,933
Property, plant and equipment and intangible assets	3,678,460	3,030,342	3,093,965
Customers' liability under acceptances, guarantees and letters of credit as per contra	67,513	39,661	90,809
	224,857,441	219,012,046	217,715,302
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	555,196	834,472	2,037,032
Cumulative translation reserve	(69,436)	(248,132)	(109,014)
Retained earnings	8,697,589	7,398,368	7,567,587
	20,652,458	19,453,817	20,964,714
Non-controlling interest	737,227	631,378	758,350
Total equity	21,389,685	20,085,195	21,723,064
Liabilities			
Customer deposits	40,954,632	38,814,770	38,463,504
Due to other banks	502,841	319,747	435,032
Loan participations	-	2,215,516	-
Notes payable	4,301,698	1,433,600	3,644,384
Securities sold under agreements to repurchase	147,798,572	147,230,973	144,501,658
Redeemable preference shares	4,228,705	4,228,705	4,228,705
Interest payable	1,379,217	1,539,683	1,185,595
Income tax payable	461,233	101,151	397,758
Other payable	3,148,510	2,129,434	2,362,486
Deferred tax liability	624,835	873,611	682,307
Liabilities under acceptances, guarantees and letters of credit as per contra	67,513	39,661	90,809
	203,467,756	198,926,851	195,992,238
	224,857,441	219,012,046	217,715,302

JMMB GROUP LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Period ended 31 December 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	-	-	-	-	1,853,041	1,853,041	101,596	1,954,637
Prior period adjustment, IFRIC 21 (Note 4)	-	-	-	-	(90,280)	(90,280)	-	(90,280)
Profit for the period restated	-	-	-	-	1,762,761	1,762,761	101,596	1,864,357
Other comprehensive income for the period	-	-	198,075	(304,365)	-	(106,290)	176,230	69,940
Dividends paid	-	-	-	-	(538,082)	(538,082)	-	(538,082)
Balances at 31 December 2014 (Unaudited)	1,864,054	9,605,055	834,472	(248,132)	7,398,368	19,453,817	631,378	20,085,195
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	-	-	-	-	1,700,695	1,700,695	32,025	1,732,720
Other comprehensive income for the period	-	-	(1,481,836)	39,578	-	(1,442,258)	(53,148)	(1,495,406)
Dividends paid	-	-	-	-	(570,693)	(570,693)	-	(570,693)
Balances at 31 December 2015 (Unaudited)	1,864,054	9,605,055	555,196	(69,436)	8,697,589	20,652,458	737,227	21,389,685

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows

Period ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Nine Months Ended 31 Dec 15 \$'000	Restated Unaudited Nine Months Ended 31 Dec 14 \$'000
Cash Flows from Operating Activities		
Profit for the period	1,732,720	1,864,357
Adjustments for:		
Gain on acquisition of subsidiary	-	(9,679)
Unrealised (gains)/losses on trading securities	(115,036)	179,938
Depreciation and amortisation	353,227	317,094
	<u>1,970,911</u>	<u>2,351,710</u>
Changes in operating assets and liabilities	1,379,576	3,673,233
Net cash provided by operating activities	<u>3,350,487</u>	<u>6,024,943</u>
Cash Flows from Investing Activities		
Net sale/(purchase) of investment securities	2,340,107	(12,459,749)
Acquisition of subsidiary net of cash acquired (Note 5)	10,497	(14,862)
Purchase of property, plant and equipment and computer software	(722,607)	(420,881)
Net cash provided by/(used in) investing activities	<u>1,627,997</u>	<u>(12,895,492)</u>
Cash Flows from Financing Activities		
Proceeds from issue of subordinated debt	598,914	1,433,600
Loan participation	-	2,215,516
Dividends paid	(570,693)	(538,082)
Net cash provided by financing activities	<u>28,221</u>	<u>3,111,034</u>
Net increase/(decrease) in cash and cash equivalents	<u>5,006,705</u>	<u>(3,759,515)</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 the period	<u>23,679,093</u>	<u>19,566,905</u>

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Nine months period ended 31 December 2015				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	10,828,095	3,321,070	62,411	-	14,211,576
Intersegment revenue	372,012	92,321	8,388	(472,721)	-
Total segment revenue	11,200,107	3,413,391	70,799	(472,721)	14,211,576
Segment results	1,670,455	542,657	3,264	-	2,216,376
Taxation					(483,656)
Profit for the period					<u>1,732,720</u>
Total segment assets	199,164,842	61,702,815	1,213,720	(37,223,936)	224,857,441
Total segment liabilities	177,655,509	52,427,663	1,149,232	(27,764,648)	203,467,756
Interest income	7,396,136	2,526,939	-	-	9,923,075
Operating expenses	4,933,211	1,263,518	102,435	-	6,299,164
Depreciation and amortisation	272,601	80,248	378		353,227
Capital expenditure	548,338	174,269	-	-	722,607

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 31 December 2015

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Nine months period ended 31 December 2014				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	10,717,322	3,076,909	73,388	-	13,867,619
Intersegment revenue	410,006	83,553	8,801	(502,360)	-
Total segment revenue	11,127,328	3,160,462	82,189	(502,360)	13,867,619
Segment results	1,863,242	391,416	2,992	-	2,257,650
Gain on acquisition of subsidiary					9,679
Profit before tax					2,267,329
Taxation					(402,972)
Profit for the period					1,864,357
Total segment assets	184,631,390	61,235,341	997,457	(27,852,142)	219,012,046
Total segment liabilities	164,293,946	52,654,584	929,549	(18,951,228)	198,926,851
Interest income	7,833,598	2,425,082	-	-	10,258,680
Operating expenses	3,631,197	1,832,411	79,198	-	5,542,806
Depreciation and amortisation	164,299	150,364	2,431		317,094
Capital expenditure	342,266	78,615	-	-	420,881

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 31 December 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
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
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 JMMB Bank S.A		90	Dominican Republic	Savings and loans bank

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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\$1,700,695,000 (2014: J\$1,762,761,000) 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 31 December 2015, funds managed in this way amounted to J\$65,108,523,000 (2014: J\$40,658,775,000).

(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 31 December 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 31 Dec 2014	Effect of IFRIC 21	Restated 31 Dec 2014
	\$'000	\$'000	\$'000
Consolidated profit and loss			
Net operating revenue	7,800,456	-	7,800,456
Operating Expenses	(5,452,526)	(90,280)	(5,542,806)
Operating Profit	2,347,930	(90,280)	2,257,650
Gain on acquisition of subsidiaries	9,679	-	9,679
Profit before Taxation	2,357,609	(90,280)	2,267,329
Taxation	(402,972)	-	(402,972)
Profit for the period	1,954,637	(90,280)	1,864,357
Consolidated Statement of Financial Position			
Total Assets	219,012,046	-	219,012,046
Total Liabilities	198,836,571	90,280	198,926,851
Equity	20,175,475	(90,280)	20,085,195

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 31 December 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\$82,039,000 in revenues and incurred operating expenses of J\$99,885,000 for the Group.

JMMB GROUP LIMITED		
TOP 20 SHAREHOLDERS AT DECEMBER 31, 2015		
		ordinary shares
		1,630,552,532
SHAREHOLDERS	SHAREHOLDINGS	%
NCB CAPITAL MARKETS (IN ESCROW)	428,777,325	26.296
TRUSTEES JMMB ESOP	160,492,834	9.843
COLONIAL LIFE INSURANCE CO (TRINIDAD) LTD	103,453,776	6.345
NATIONAL INSURANCE FUND	75,172,997	4.610
CONCISE E.I. LTD	59,965,366	3.678
CONCISE R.I. LTD	48,199,900	2.956
SJIML A/C 3119	49,833,000	3.056
JVF O.E. LTD	46,261,146	2.837
CONCISE O.N. LTD	42,530,103	2.608
JVF E.I. LTD	40,311,674	2.472
	1,054,998,121	64.702
No. of shareholders @ 31 DECEMBER 2015	TTCD	1,939
	MAIN	5
	BCSD	139
	JCSD	10,481
	TOTAL	12,564

Directors	Shareholding- Ordinary	Connected Parties
Noel A. Lyon	-	GRACELYN O.E. LTD
	-	JVF O.E. LTD
	25,310	NICOLE LYON
Donna Duncan-Scott	-	ESOP
	28,548	ALWYN SCOTT
	-	JVF O.N. LTD
	-	CONCISE O.N. LTD
Archibald Campbell	18,400	
	344,827	ODETTE CAMPBELL
Keith P. Duncan	20,591	
	BCSD	CONCISE E.I. LTD
	-	JVF E.I. LTD
	-	ESOP
V. Andrew Whyte	-	
Wayne Sutherland	-	
	TOTAL	CONCISE R.I. LTD
Dennis Harris	364,277	
Dr. Anne Crick	5,234	
Hugh Duncan	4,828	
Rodger Braham	-	
Reece Kong	-	
Audrey Welds	100,000	
Audrey Deer Williams	-	
Andrew Cocking	-	
	912,015	
ETLs	Shareholding- Ordinary	Connected Parties
Donna Duncan-Scott	-	ESOP
	28,548	ALWYN SCOTT
	-	JVF O.N. LTD
	-	CONCISE O.N. LTD
Keith Duncan	20,591	
	-	ESOP
	BCSD	CONCISE E.I. LTD
	-	JVF E.I. LTD
Cecile Cooper	-	ESOP
Sheldon Powe	23,000	
	-	ESOP
Carolyn DaCosta	1,050,303	
	-	ESOP
	4,357	CRAIG DACOSTA
	127,169	DERMOTT DACOSTA
	4,795	MERLINE DACOSTA
	5,237	AMANDA DACOSTA
Kisha Anderson	660,395	
	-	ESOP
	36,927	ELIZABETH THOMPSON
	10,000	REBEKAH HOILETT
	1,500	GAIL BARRETT
Paul Gray	658,587	
	-	ESOP
	554,866	TEVERLY GRAY
Julian Mair	212,500	
	-	ESOP
Patrick Ellis	-	ESOP
Janet Patrick	-	ESOP
	18,432	
Hugh Duncan	4,828	
Karl Townsend	-	ESOP
Damion Brown	2,400	
	-	ESOP
Kerry Ann Stimpson	-	ESOP