



**JAMAICA MONEY MARKET BROKERS LIMITED**

**Group Financial Statements**

**Unaudited Nine Months Financial Results for period ended 31 December 2014**



Jamaica Money Market Brokers Limited

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# **JAMAICA MONEY MARKET BROKERS LIMITED**

**Unaudited Nine Months Financial Results for the period ended 31 December 2014**

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## **Directors' Statement**

### **PERFORMANCE HIGHLIGHTS**

Net Profit of J\$1.95 billion

Earnings per Stock Unit of J\$1.14

Net Interest Income up 7.1%

Operating Revenues of J\$7.8 billion, grew by 18.1%

Return on Equity 13.8%

Efficiency ratio 69.9%

The Directors are pleased to announce that the JMMB Group has posted a net profit of J\$1.95 billion and earnings per share of J\$1.14 for the nine month period ended 31 December 2014. Operating revenues grew to J\$7.8 billion reflecting an 18.1% increase over prior period, mainly driven by expansion of the Group through its acquisitions.

The Group's Net Interest Income (NII) showed positive growth year-over-year moving from J\$3.83 billion to J\$4.10 billion, an increase of J\$270.3 million or 7.1%, which was the result of expanded business lines through the acquisition of Intercommercial Bank Limited (IBL) in October 2013, coupled with effectively managing the Group's investment portfolio and cost of funds. Other operating revenues, namely, gains on securities trading, foreign exchange margins from cambio trading, and commission income also reflected increases of 25.2%, 78.5% and 30.7% respectively, these were driven largely by volume increases and taking advantage of market opportunities.

Our operations in the Dominican Republic continue to produce positive results contributing J\$507.9 million to the Group and in Trinidad & Tobago, IBL contributed J\$162.4 million to the Group's earnings.

Operating expenses increased from J\$3.99 billion to J\$5.45 billion. Expenses associated with the expansion of the Group through the acquisition of IBL and AIC Securities accounted for J\$795.8 million (54.6%) of this increase and the remaining J\$662.4 (45.4%) is attributable to costs associated with integration, growth in subsidiaries in the regional markets, increase in asset tax and normal inflationary increases.

One of the effects of the increase in operating costs was that the Group's efficiency ratio (administrative costs as a percentage of operating revenue) moved from 60.4% in 2013 to 69.9%. Management is taking medium to long term measures to correct this increase, mainly through extracting synergies from its recent acquisitions through its integrated financial services model across regional territories.

### **Regulatory Capital Requirements**

The company continues to exceed its regulatory capital requirements. The company's capital to risk weighted assets ratio stood at 14.6% whereas the Financial Services Commission (FSC) benchmark stipulates a minimum of 10%. The company's capital to total assets ratio was 11.1% whereas the FSC benchmark is 6%.

### **Corporate Social Responsibility**

The JMMB Group continues to be a responsible corporate citizen in the countries in which it operates, namely: Jamaica, Trinidad and Tobago and Dominican Republic. The company focused mainly on educational development, entrepreneurship, community outreach and transformational training in the third quarter.

The Joan Duncan Foundation, the philanthropic arm of the JMMB Group, in Jamaica supported several infrastructural improvement projects in selected high schools in order to improve the instructional development process. Additionally, the Foundation awarded several scholarships and provided financial assistance to a range of community development initiatives. The Foundation also sponsored several entrepreneurship competitions and expos in a bid to nurture entrepreneurial spirit.

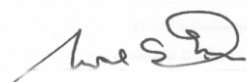
In Trinidad and Tobago, JMMB continues to support educational initiatives such as the National Mental Mathematics Marathon designed to encourage critical thinking and problem-solving skills in youths. The team also continues to give of their time, talent and financial contribution to respective children's homes.

In the Dominican Republic, JMMB Puesto de Bolsa has given financial assistance to selected children's homes in support of the welfare of orphaned children. The company remains committed to the entrepreneurship programme offered by UNPHU Emprande, the Entrepreneur division of the Universidad Nacional Pedro Henriquez Ureña, by providing mentorship and financial partnership with institutions to facilitate micro, small and medium-sized businesses.

### **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 revenues outside of Jamaica contributed 30% to the results as at 31 December 2014.

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

# Jamaica Money Market Brokers Limited

Consolidated Profit and Loss Account

**Period ended 31 December 2014**

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 31 Dec 14	Unaudited Three Months Ended 31 Dec 13	Unaudited Nine Months Ended 31 Dec 14	Unaudited Nine Months Ended 31 Dec 13
	\$'000	\$'000	\$'000	\$'000
<b>Net Interest Income and Other Revenue</b>				
Interest income	3,430,577	3,193,525	10,258,680	9,001,930
Interest expense	(2,031,403)	(1,775,073)	(6,157,994)	(5,171,526)
<b>Net interest income</b>	<b>1,399,174</b>	<b>1,418,452</b>	<b>4,100,686</b>	<b>3,830,404</b>
Fees and commission income	216,962	172,855	518,357	396,454
Gains on securities trading, net	941,874	670,907	2,491,823	1,990,214
Foreign exchange margins from cambio trading	247,892	177,737	678,449	380,042
<b>Operating revenue net of interest expense</b>	<b>2,805,902</b>	<b>2,439,951</b>	<b>7,789,315</b>	<b>6,597,114</b>
<b>Other Income</b>				
Dividends	2,615	12,797	11,141	16,407
	<b>2,808,517</b>	<b>2,452,748</b>	<b>7,800,456</b>	<b>6,613,521</b>
Operating Expenses	(1,976,600)	(1,653,806)	(5,452,526)	(3,994,345)
<b>Operating Profit</b>	<b>831,917</b>	<b>798,942</b>	<b>2,347,930</b>	<b>2,619,176</b>
Gain on acquisition of subsidiaries	-	-	9,679	-
Share of loss of associated company	-	-	-	(24,289)
<b>Profit before Taxation</b>	<b>831,917</b>	<b>798,942</b>	<b>2,357,609</b>	<b>2,594,887</b>
Taxation	(141,096)	(47,027)	(402,972)	(241,169)
<b>Profit for the period</b>	<b>690,821</b>	<b>751,915</b>	<b>1,954,637</b>	<b>2,353,718</b>
<b>Attributable to:</b>				
Equity holders of the parent	644,210	702,754	1,853,041	2,153,160
Non-controlling interest	46,611	49,161	101,596	200,558
	<b>690,821</b>	<b>751,915</b>	<b>1,954,637</b>	<b>2,353,718</b>
<b>Earnings per stock unit</b>	<b>\$0.40</b>	<b>\$0.43</b>	<b>\$1.14</b>	<b>\$1.32</b>

# Jamaica Money Market Brokers Limited

Consolidated Statement of Comprehensive Income

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 31 Dec 14	Unaudited Three Months Ended 31 Dec 13	Unaudited Nine Months Ended 31 Dec 14	Unaudited Nine Months Ended 31 Dec 13
	\$'000	\$'000	\$'000	\$'000
<b>Profit for the period</b>	690,821	751,915	1,954,637	2,353,718
<b>Other comprehensive income:</b>				
<b>Items that may be subsequently reclassified to profit or loss:</b>				
Unrealised (loss)/ gains on available for sale investments	(1,227,691)	221,871	303,085	(1,993,502)
Foreign exchange translation gain/(loss)	105,060	141,749	(233,145)	273,137
	(1,122,631)	363,620	69,940	(1,720,365)
<b>Total comprehensive income for period, net of tax</b>	<b>(431,810)</b>	<b>1,115,535</b>	<b>2,024,577</b>	<b>633,353</b>
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	(330,378)	812,476	1,746,751	640,128
Non-controlling interest	(101,432)	303,059	277,826	(6,775)
	<b>(431,810)</b>	<b>1,115,535</b>	<b>2,024,577</b>	<b>633,353</b>

# Jamaica Money Market Brokers Limited

## Consolidated Statement of Financial Position

**31 December 2014**

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited as at 31 Dec 14	Unaudited as at 31 Dec 13	Audited as at 31 March 14
	\$'000	\$'000	\$'000
<b>ASSETS</b>			
Cash and cash equivalents	19,566,905	15,664,835	23,326,420
Interest receivable	2,908,103	2,611,991	2,619,996
Income tax recoverable	2,108,763	1,723,776	2,043,597
Loans and notes receivable, net of provision	30,298,565	25,728,410	26,551,175
Other receivables	1,389,048	1,347,753	1,927,206
Investments and resale agreements	159,057,879	141,176,095	146,430,712
Investment properties	457,591	457,591	457,591
Deferred tax asset	155,189	332,765	150,384
Property, plant and equipment and intangible assets	3,030,342	2,412,883	2,846,811
Customers' liability under acceptances, guarantees and letters of credit as per contra	39,661	142,779	352,227
	<b>219,012,046</b>	<b>191,598,878</b>	<b>206,706,119</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share Capital	1,864,054	1,864,054	1,864,054
Retained earnings reserve	9,605,055	9,109,778	9,605,055
Investment revaluation reserve	834,472	(14,940)	636,397
Cumulative translation reserve	(248,132)	124,450	56,233
Retained earnings	7,488,648	5,989,271	6,173,689
	19,544,097	17,072,613	18,335,428
Non-controlling interest	631,378	512,728	353,552
Total equity	<b>20,175,475</b>	<b>17,585,341</b>	<b>18,688,980</b>
<b>Liabilities</b>			
Customer deposits	38,814,770	32,417,737	35,887,750
Due to other banks	319,747	305,857	283,386
Loan participations	2,215,516	-	-
Loan payable	1,433,600	-	-
Securities sold under agreements to repurchase	147,230,973	133,808,806	143,302,425
Redeemable preference shares	4,228,705	4,228,705	4,228,705
Interest payable	1,539,683	1,180,167	1,182,974
Income tax payable	101,151	46,724	83,671
Other payable	2,039,154	1,360,761	2,068,641
Deferred tax liability	873,611	522,001	627,360
Liabilities under acceptances, guarantees and letters of credit as per contra	39,661	142,779	352,227
	<b>198,836,571</b>	<b>174,013,537</b>	<b>188,017,139</b>
	<b>219,012,046</b>	<b>191,598,878</b>	<b>206,706,119</b>

# Jamaica Money Market Brokers Limited

## Consolidated Statement of Changes in Stockholders' Equity

Period ended 31 December 2014

(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
<b>Balances at 31 March 2013 (Audited)</b>	<b>1,864,054</b>	<b>9,109,778</b>	<b>1,724,253</b>	<b>(101,711)</b>	<b>4,096,999</b>	<b>16,693,373</b>	<b>519,503</b>	<b>17,212,876</b>
Profit for the period	-	-	-	-	2,153,160	2,153,160	200,558	2,353,718
Other comprehensive income for period	-	-	(1,739,193)	226,161	-	(1,513,032)	(207,333)	(1,720,365)
Dividends paid	-	-	-	-	(260,888)	(260,888)	-	(260,888)
<b>Balances at 31 December 2013 (Unaudited)</b>	<b>1,864,054</b>	<b>9,109,778</b>	<b>(14,940)</b>	<b>124,450</b>	<b>5,989,271</b>	<b>17,072,613</b>	<b>512,728</b>	<b>17,585,341</b>
<b>Balances at 31 March 2014 (Audited)</b>	<b>1,864,054</b>	<b>9,605,055</b>	<b>636,397</b>	<b>56,233</b>	<b>6,173,689</b>	<b>18,335,428</b>	<b>353,552</b>	<b>18,688,980</b>
Profit for the period	-	-	-	-	1,853,041	1,853,041	101,596	1,954,637
Other comprehensive income for period	-	-	198,075	(304,365)	-	(106,290)	176,230	69,940
Dividends paid	-	-	-	-	(538,082)	(538,082)	-	(538,082)
<b>Balances at 31 December 2014 (Unaudited)</b>	<b>1,864,054</b>	<b>9,605,055</b>	<b>834,472</b>	<b>(248,132)</b>	<b>7,488,648</b>	<b>19,544,097</b>	<b>631,378</b>	<b>20,175,475</b>



# Jamaica Money Market Brokers Limited

## Consolidated Statement of Cash Flows

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Nine Months Ended 31 Dec 14 \$'000	Unaudited Nine Months Ended 31 Dec 13 \$'000
<b>Cash Flows from Operating Activities</b>		
Profit for the period	1,954,637	2,353,718
Adjustments for:		
Share of loss of associated company	-	24,289
Gain on acquisition of subsidiaries	(9,679)	-
Unrealised loss on trading securities	179,938	46,558
Depreciation and amortisation	317,094	183,812
	<u>2,441,990</u>	<u>2,608,377</u>
Changes in operating assets and liabilities	3,582,953	(3,381,154)
<b>Net cash provided by/(used in) operating activities</b>	<u><b>6,024,943</b></u>	<u><b>(772,777)</b></u>
<b>Cash Flows from Investing Activities</b>		
Net (purchase)/sale of investment securities	(12,459,749)	886,636
Acquisition of subsidiaries net of cash acquired	(14,862)	8,899,422
Purchase of property, plant and equipment and computer software	(420,881)	(388,347)
<b>Net cash (used in)/provided by investing activities</b>	<u><b>(12,895,492)</b></u>	<u><b>9,397,711</b></u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from redeemable preference shares	-	1,469,359
Proceeds from issue of subordinated debt	1,433,600	-
Loan participation	2,215,516	-
Dividends paid	(538,082)	(260,888)
<b>Net cash provided by financing activities</b>	<u><b>3,111,034</b></u>	<u><b>1,208,471</b></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u><b>(3,759,515)</b></u>	<u><b>9,833,405</b></u>
<b>Cash and cash equivalents at beginning of year</b>	<u><b>23,326,420</b></u>	<u><b>5,831,430</b></u>
<b>Cash and cash equivalents at end of period</b>	<u><u><b>19,566,905</b></u></u>	<u><u><b>15,664,835</b></u></u>

# Jamaica Money Market Brokers Limited

Notes to the Financial Statements

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

## Segment Reporting

	Nine months period ended 31 December 2014				
	Financial & Related Services \$'000	Banking & Related Services \$'000	Other \$'000	Eliminations \$'000	Total \$'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	1,939,550	405,388	2,992	-	2,347,930
Gain on acquisition of subsidiary					9,679
Profit before tax					2,357,609
Taxation					(402,972)
Profit for the period					1,954,637
Total segment assets	184,631,390	61,235,341	997,457	(27,852,142)	219,012,046
Total segment liabilities	164,217,638	52,640,612	929,549	(18,951,228)	198,836,571
Interest income	7,833,598	2,425,082	-	-	10,258,680
Operating expenses	3,554,889	1,818,439	79,198	-	5,452,526
Depreciation and amortisation	164,299	150,364	2,431	-	317,094
Capital expenditure	342,266	78,615	-	-	420,881

# Jamaica Money Market Brokers Limited

Notes to the Financial Statements

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

## Segment Reporting

	Nine months period ended 31 December 2013				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	9,932,788	1,787,754	64,505	-	11,785,047
Intersegment revenue	383,776	13,681	2,875	(400,332)	-
Total segment revenue	10,316,564	1,801,435	67,380	(400,332)	11,785,047
Segment results	2,396,605	215,707	6,864	-	2,619,176
Share of associated company loss					(24,289)
Profit before tax					2,594,887
Taxation					(241,169)
Profit for the period					2,353,718
Total segment assets	166,106,382	49,212,396	882,581	(24,602,481)	191,598,878
Total segment liabilities	147,326,914	41,844,725	812,018	(15,970,120)	174,013,537
Interest income	7,828,391	1,168,549	4,990	-	9,001,930
Operating expenses	3,343,896	592,803	57,646	-	3,994,345
Depreciation and amortisation	101,067	81,969	776	-	183,812
Capital expenditure	352,664	35,683	-	-	388,347

# Jamaica Money Market Brokers Limited

## Notes to the Financial Statements

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

### 1. Identification

Jamaica Money Market Brokers Limited (the “company”) is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Haughton Terrace, Kingston 10, Jamaica. It has eight 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 “Group”.

The company is exempt from the provisions of the Money Lending Act.

The principal activities of the company are securities brokering, securities trading, commercial and merchant banking, dealing in money market instruments, operating a foreign exchange cambio and managing funds on behalf of clients. Information on the subsidiaries and the associated companies is set out below:

Name of Subsidiary	% Shareholding Held by Parent/Subsidiary		Country of Incorporation	Principal Activities
	Parent	Subsidiary		
JMMB Securities Limited	100		Jamaica	Stock brokering
JMMB Insurance Brokers Limited	100		Jamaica	Insurance brokering
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
AIC Securities 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 International Limited	100		St. Lucia	Investment holding and management
JMMB Holding Company Limited, SRL and its subsidiary:	100		Dominican Republic	Investment holding and management
JMMB Puesto de Bolsa, S.A.		80	Dominican Republic	Securities brokering
JMMB Real Estate Holdings Limited	100		Jamaica	Real estate holding
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
Capital & Credit Securities Limited	100		Jamaica	Investment holding
JMMB Fund Managers Limited	100		Jamaica	Fund management

# Jamaica Money Market Brokers Limited

Notes to the Financial Statements

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

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## 1. Identification (Continued)

On 30 April 2014, JMMB Investments (Trinidad and Tobago) Limited, a 100% owned subsidiary, acquired 100% equity of AIC Securities Limited for TT\$5.36 million (J\$92.7 million) (Note 3).

## 2. 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 2014.

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.

# Jamaica Money Market Brokers Limited

Notes to the Financial Statements

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

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## 2. 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, and 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

#### (iii) Associates

Associates are all entities over which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on the equity basis, from the date that significant influence commences until the date that influence ceases. When the Group's share of losses in an associate exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

# Jamaica Money Market Brokers Limited

Notes to the Financial Statements

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (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.

### (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.

# Jamaica Money Market Brokers Limited

Notes to the Financial Statements

Period ended 31 December 2014

(Expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (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.

### (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.



# Jamaica Money Market Brokers Limited

Notes to the Financial Statements

Period ended 31 December 2014

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## 2. Summary of Significant Accounting Policies (Continued)

### (g) Financial assets (continued)

#### 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 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\$1,853,041,000 (2013 – J\$2,153,160,000) by the weighted average number of stock units in issue during the period, numbering 1,630,552,530 (2013 – 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 2014, funds managed in this way amounted to J\$22,035,881,000 (2013 – J\$12,738,221,000).

### (k) Comparative Information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current period.

# Jamaica Money Market Brokers Limited

Notes to the Financial Statements

Period ended 31 December 2014

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### 3. Business Combinations

#### *Acquisition of AIC Securities Limited (AIC)*

On 30 April 2014, JMMB Investments (Trinidad and Tobago) Limited, a 100% owned subsidiary, acquired 100% equity of AIC Securities Limited for TT\$5.36 million (J\$92.7 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:

	<b>\$'000</b>
Purchase consideration – cash paid	92,708
Fair value of net assets acquired	<u>(102,387)</u>
Negative goodwill	<u><u>(9,679)</u></u>

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

	<b>Fair Value</b>
	<b>\$'000</b>
Cash and cash equivalents	77,846
Investment and resale agreements	97,478
Property, plant and equipment and intangible assets	7,796
Income tax recoverable	23
Accounts receivable	33,811
Taxation payable	(17)
Accounts payable	<u>(114,550)</u>
Net assets	<u><u>102,387</u></u>
Cash consideration	(92,708)
Cash and cash equivalents acquired	<u>77,846</u>
Net cash outflow on acquisition	<u><u>(14,862)</u></u>

Since the acquisition, the acquired business has contributed J\$21,175,000 in revenues and incurred operating expenses of J\$25,805,000 for the Group.