



JAMAICA MONEY MARKET BROKERS LIMITED

Group Financial Statements

Unaudited Nine Months Financial Results for period ended 31 December 2013



Jamaica Money Market Brokers Limited

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ended 31 December 2013**

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JAMAICA MONEY MARKET BROKERS LIMITED

Unaudited Nine Months Financial Results for the period ended 31 December 2013

Directors' Statement

PERFORMANCE HIGHLIGHTS

Net Profit of J\$2.35 billion

Earnings per Stock Unit of J\$1.32

Net Interest Income up 10.2%

Operating Profit of J\$2.62 billion, grew by 27.8%

Efficiency ratio 60.4%

The Directors are pleased to announce that the JMMB Group has posted a net profit of J\$2.35 billion and earnings per share of J\$1.32 for the nine month period ended 31 December 2013. The Group's net profits while showing a reduction over the prior period (2012 – J\$3.19 billion), excluding the one off gain from acquisition of CCFG of J\$1.61 billion, reflected a positive increase of J\$779.6 million or 49.5%.

The Group's Net Interest Income (NII) showed positive growth year-over-year moving from J\$3.48 billion to J\$3.83 billion, an increase of J\$354.3 million or 10.2%. This increase was driven mainly by expanded business lines through acquisitions of Capital & Credit Financial Group Limited (CCFG) and Intercommercial Bank Limited and Intercommercial Trust and Merchant Bank Limited (IBL), 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 79.1%, 67.1% and 59.1% respectively which were driven largely by increased volume activity and taking advantage of market opportunities in the Dominican Republic.

Our operations in the Dominican Republic continues to produce strong results contributing J\$1 billion to Group, driven mainly by growth in Net Interest Income and gains on securities trading.

In Trinidad & Tobago, the Group finalised the acquisition of the remaining 50% of the share capital of IBL for US\$8.75 million (J\$914.1 million), thereby IBL becoming a 100% subsidiary of the JMMB Group. IBL, though impacted by a one off provisioning on its loan portfolio in the first quarter, contributed revenues of J\$341.5 million and incurred operational expenses of J\$322.8 million since becoming a wholly owned subsidiary and is on a path of steady growth.

Operating expenses increased to J\$3.99 billion compared to J\$3.03 billion for the prior year. This increase was mainly attributable to operating costs for CCFG which comprise J\$351.0 million or 36.4%, acquisition of IBL contributing J\$344.1 million or 35.7% and the remaining J\$269.5 million or 27.9% due mainly to integration costs, growth in subsidiaries in the regional markets, and normal inflationary increases.

Consequently, despite this increase in expenses, management continues to effectively manage its operations as the Group's efficiency ratio (administrative costs as a percentage of operating revenue) stood at 60.4% (2012 – 59.7%) at the end of the quarter.

The total asset base of the JMMB Group increased by J\$24.7 billion or 14.8% for the period, moving from J\$166.86 billion as at 31 March 2013 to J\$191.60 billion. This increase in assets was due mainly to acquisition of the IBL which contributed J\$25.4 billion.

Regulatory Capital Requirements

The company continues to exceed its regulatory capital requirements. The company's capital to risk weighted assets ratio stood at 18.9% whereas the Financial Services Commission (FSC) benchmark stipulates a minimum of 10%. The company's capital to total assets ratio was 12.7% (2012 – 11.9%) whereas the FSC benchmark is 6%.

Corporate Social Responsibility (CSR)

For the third financial quarter, the Joan Duncan Foundation continued its mandate to support programmes that promote positive growth in education, health, culture and transformational leadership while supporting economic growth across Jamaica. As the philanthropic arm of JMMB, the Foundation prides itself on being an agent of change and maintaining the company's vision to enrich the lives of its stakeholders and the Jamaican society. The Foundation contributed to corporate social activities in the following areas:

Education

The Foundation supported education during this quarter through the following initiatives:

- **UWI Venture Challenge Competition**

The Foundation was a platinum sponsor of the 2013 UWI Venture Challenge Competition which saw over 20 teams vying to represent Jamaica in the annual Opportunity Funding Corporation Venture Challenge in Atlanta, Georgia, USA in 2014; as well as scholarships and sectional prizes. The winning team presented an idea to produce 'Sea Island Cotton' locally, under the mentorship of JMMB's Roy Reid. Other JMMB executives also mentored teams during the competition.

- **School Feeding Programme**

Contributions were made to school feeding programmes run by the Rescue Package who support feeding programmes at various basic schools, such as Ferdie's House for mentally challenged persons.

Community Outreach

Community and church outreach activities were maintained on the branch or team member level. These included:

- **Christmas Treats**

Donations were made towards 36 Christmas treats or related functions across the island through the purchase of tickets and other means of support.

- **Branch Projects**

JMMB branches continued their support of various community-based activities including health fairs, fundraisers for school events, care packages, football activities and a contribution towards Mayor Lee's memorial service. In addition, the Knutsford Boulevard branch and Personal Portfolio Management adopted Glenhope Children's Home and Marvelous Maverly respectively.

- **Violence Prevention Alliance (VPA)**

The Joan Duncan Foundation in support of Learning Projects and other VPA activities, spearheaded by Dr. Elizabeth Ward gave a donation of J\$1M.

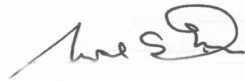
Health/Medical

The Foundation donated funds to the Jamaica Kidney Kids, by sponsoring the screening of 100 babies through the Sickle Cell Trust and also paid for the colonoscopy of a patient.

General

The Group continues to transform and expand its business model, while building core revenues and driving operational efficiency across diversified business lines locally and through our regional territories. The JMMB Group will continue to consolidate its recent acquisitions and roll-out its integrated financial service business model to its markets in Jamaica, Dominican Republic and Trinidad & Tobago.

The JMMB Group will continue to focus on long term sustainable growth and further enhancing 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 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 31 Dec 13	Unaudited Three Months Ended 31 Dec 12	Unaudited Nine Months Ended 31 Dec 13	Unaudited Nine Months Ended 31 Dec 12
	\$'000	\$'000	\$'000	\$'000
Net Interest Income and Other Revenue				
Interest income	3,193,525	3,061,747	9,001,930	8,291,108
Interest expense	(1,775,073)	(1,766,275)	(5,171,526)	(4,815,000)
Net interest income	1,418,452	1,295,472	3,830,404	3,476,108
Fees and commission income	172,855	85,531	396,454	249,237
Gains on securities trading, net	670,907	477,883	1,990,214	1,111,080
Foreign exchange margins from cambio trading	177,737	105,165	380,042	227,423
Operating revenue net of interest expense	2,439,951	1,964,051	6,597,114	5,063,848
Other Income				
Dividends	12,797	5,567	16,407	15,307
	2,452,748	1,969,618	6,613,521	5,079,155
Operating Expenses	(1,653,806)	(1,148,043)	(3,994,345)	(3,029,728)
Operating Profit	798,942	821,575	2,619,176	2,049,427
Gain on acquisition of subsidiaries	-	-	-	1,612,198
Impairment loss on financial asset	-	(57,770)	-	(57,770)
Share of profits of associated company	-	21,801	(24,289)	64,307
Profit before Taxation	798,942	785,606	2,594,887	3,668,162
Taxation	(47,027)	(143,810)	(241,169)	(481,819)
Profit for the period	751,915	641,796	2,353,718	3,186,343
Attributable to:				
Equity holders of the parent	702,754	569,163	2,153,160	3,091,709
Non-controlling interest	49,161	72,633	200,558	94,634
	751,915	641,796	2,353,718	3,186,343
Earnings per stock unit	\$0.43	\$0.35	\$1.32	\$1.95

Jamaica Money Market Brokers Limited

Consolidated Statement of Comprehensive Income

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Nine Months Ended 31 Dec 13	Unaudited Nine Months Ended 31 Dec 12
	\$'000	\$'000
Profit for the period	2,353,718	3,186,343
Other comprehensive income:		
Unrealised loss on available for sale investments	(1,993,502)	(994,097)
Foreign exchange translation differences	273,137	26,606
	<u>(1,720,365)</u>	<u>(967,491)</u>
Total comprehensive income for period, net of tax	<u>633,353</u>	<u>2,218,852</u>
Total comprehensive income attributable to:		
Equity holders of the parent	640,128	2,124,218
Non-controlling interest	(6,775)	94,634
	<u>633,353</u>	<u>2,218,852</u>

Jamaica Money Market Brokers Limited

Consolidated Statement of Financial Position

31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited as at 31 Dec 13	Unaudited as at 31 Dec 12	Audited as at 31 March 13
	\$'000	\$'000	\$'000
ASSETS			
Cash and cash equivalents	15,664,835	8,389,027	5,831,430
Interest receivable	2,611,991	3,032,577	2,220,864
Income tax recoverable	1,723,776	1,715,699	1,832,210
Loans and notes receivable, net of provision	25,728,410	9,342,536	10,227,126
Other receivables	1,347,753	1,279,299	918,692
Investments and resale agreements	141,176,095	134,243,837	142,303,857
Investment properties	457,591	463,031	457,591
Interest in associated companies	-	772,840	808,306
Deferred tax asset	332,765	266,447	447,951
Property, plant and equipment and intangible assets	2,412,883	1,347,003	1,768,658
Customers' liability under acceptances, guarantees and letters of credit as per contra	142,779	12,620	44,276
	191,598,878	160,864,916	166,860,961
EQUITY AND LIABILITIES			
Equity			
Share Capital	1,864,054	1,843,994	1,864,054
Retained earnings reserve	9,109,778	8,222,323	9,109,778
Investment revaluation reserve	(14,940)	(591,492)	1,724,253
Cumulative translation reserve	124,450	18,714	(101,711)
Retained earnings	5,989,271	4,500,161	4,096,999
	17,072,613	13,993,700	16,693,373
Non-controlling interest	512,728	188,711	519,503
Total equity	17,585,341	14,182,411	17,212,876
Liabilities			
Customer deposits	32,417,737	6,734,965	7,567,380
Due to other banks	305,857	452,889	378,560
Loan participations	-	1,010,943	341,082
Securities sold under agreements to repurchase	133,808,806	131,897,321	135,907,311
Redeemable preference shares	4,228,705	2,759,346	2,759,346
Interest payable	1,180,167	1,271,049	1,193,398
Income tax payable	46,724	813,366	11,546
Other payable	1,360,761	1,221,644	908,488
Deferred tax liability	522,001	508,362	536,698
Liabilities under acceptances, guarantees and letters of credit as per contra	142,779	12,620	44,276
	174,013,537	146,682,505	149,648,085
	191,598,878	160,864,916	166,860,961

Jamaica Money Market Brokers Limited

Consolidated Statement of Changes in Stockholders' Equity

Period ended 31 December 2013

(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 2012 (Audited)	379,622	8,222,323	402,605	(7,892)	1,781,396	10,778,054	94,077	10,872,131
Profit for the period	-	-	-	-	3,091,709	3,091,709	94,634	3,186,343
Other comprehensive income for period	-	-	(994,097)	26,606	-	(967,491)	-	(967,491)
Issue of shares related to business combination	1,464,372	-	-	-	-	1,464,372	-	1,464,372
Dividends paid	-	-	-	-	(372,944)	(372,944)	-	(372,944)
Balances at 31 December 2012 (Unaudited)	1,843,994	8,222,323	(591,492)	18,714	4,500,161	13,993,700	188,711	14,182,411
Balances at 31 March 2013 (Audited)	1,864,054	9,109,778	1,724,253	(101,711)	4,096,999	16,693,373	519,503	17,212,876
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)
Balances at 31 December 2013 (Unaudited)	1,864,054	9,109,778	(14,940)	124,450	5,989,271	17,072,613	512,728	17,585,341

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Nine Months Ended 31 Dec 13 \$'000	Unaudited Nine Months Ended 31 Dec 12 \$'000
Cash Flows from Operating Activities		
Profit for the period	2,353,718	3,186,343
Adjustments for:		
Share of loss/(profits) of associated company	24,289	(64,307)
Gain on acquisition of subsidiaries	-	(1,612,198)
Unrealised loss/(gains) on trading securities	46,558	(1,101)
Depreciation and amortisation	183,812	114,702
	2,608,377	1,623,439
Changes in operating assets and liabilities	(3,381,154)	10,165,969
Net cash (used in)/provided by operating activities	(772,777)	11,789,408
Cash Flows from Investing Activities		
Net purchase of investment securities	886,636	(5,729,433)
Acquisition of subsidiaries net of cash acquired	8,899,422	(1,243,319)
Purchase of property, plant and equipment and computer software	(388,347)	(211,919)
Net cash provided by/(used in) investing activities	9,397,711	(7,184,671)
Cash Flows from Financing Activities		
Proceeds from redeemable preference shares	1,469,359	-
Dividends paid	(260,888)	(372,944)
Net cash provided by/(used in) financing activities	1,208,471	(372,944)
Net increase in cash and cash equivalents	9,833,405	4,231,793
Cash and cash equivalents at beginning of year	5,831,430	4,157,234
Cash and cash equivalents at end of period	15,664,835	8,389,027

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Nine months period ended 31 December 2013				
	Financial & Related Services \$'000	Banking & Related Services \$'000	Other \$'000	Eliminations \$'000	Total \$'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

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Nine months period ended 31 December 2012				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	8,974,366	807,542	112,247	-	9,894,155
Intersegment revenue	358,557	36,517		(395,074)	-
Total segment revenue	9,332,923	844,059	112,247	(395,074)	9,894,155
Segment results	2,016,870	23,047	9,510	-	2,049,427
Gain on acquisition of subsidiaries					1,612,198
Impairment loss on financial asset					(57,770)
Share of associated company profit					64,307
Profit before tax					3,668,162
Taxation					(481,819)
Profit for the period					3,186,343
Total segment assets	162,105,404	19,682,577	1,041,509	(21,964,574)	160,864,916
Total segment liabilities	146,603,602	15,575,418	952,365	(16,448,880)	146,682,505
Interest income	7,656,771	622,909	11,428	-	8,291,108
Operating expenses	2,565,772	370,892	93,064	-	3,029,728
Depreciation and amortisation	93,831	19,784	1,087	-	114,702
Capital expenditure	189,198	22,721	-	-	211,919

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

1. Identification

Jamaica Money Market Brokers Limited (the “company” or “JMMB”) is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Haughton Terrace, Kingston 10, Jamaica. It has eight (2012 – three) 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”; as detailed below.

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

The principal activities of the company and its subsidiaries 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		100	Trinidad and Tobago	Securities brokering
Intercommercial Bank Limited * and its subsidiary, Intercommercial Trust and Merchant Bank Limited		100	Trinidad and Tobago	Commercial and Merchant Banking
JMMB International Limited and its subsidiaries	100		St. Lucia	Investment holding and management
JMMB Dominicana, SRL		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
Capital & Credit Remittance Limited		100	Jamaica	Funds transfer
Capital & Credit Holdings Inc.		100	United States of America	Investment holding
JMMB Merchant Bank Limited, formerly Capital & Credit Merchant Bank Limited		100	Jamaica	Merchant Banking

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

1. Identification (Continued)

Name of Subsidiary	% Shareholding Held by Parent/Subsidiary		Country of Incorporation	Principal Activities
	Parent	Subsidiary		
Capital & Credit Securities Limited	100		Jamaica	Investment holding
JMMB Fund Managers Limited, formerly Capital & Credit Fund Managers Limited	100		Jamaica	Fund management

* On 3 October 2013 the company acquired the remaining 50% of the share capital of Intercommercial Bank Limited (IBL), thereby IBL becoming a 100% subsidiary of the JMMB Group

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 2013.

All amounts are stated in Jamaican dollars unless otherwise indicated.

(b) Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group 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 are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority 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 recognised directly in the profit and loss account.

Inter-company 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. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

(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. The Group's activities are organised into three main business segments:

- i) Financial and related services which include securities brokering, stock brokering, portfolio planning, funds management, remittance and investment advisory services.
- ii) Banking and related services which include taking deposits, granting loans and other credit facilities and foreign currency trading.
- iii) Other represents insurance brokering, investment and real estate holding and other related services.

(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

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

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

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

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\$2,153,160,000 (2012 – J\$3,091,709,000) by the weighted average number of stock units in issue during the period, numbering 1,630,552,530 (2012 – 1,581,567,000).

(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 2013, funds managed in this way amounted to J\$26,814,016,000 (2012 – J\$21,292,302,000).

(k) Comparative Information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current period. In particular, segment report has been restated to reflect basis consistent with internal management reporting.

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

3. Business Combinations

Acquisition of Intercommercial Bank Limited (IBL)

On the 3 October 2013, the company acquired the remaining 50% of the share capital of Intercommercial Bank Limited (IBL) for US\$8,750,000, thereby IBL becoming a 100% subsidiary of the JMMB Group.

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:

Purchase consideration	\$'000
Cash paid	914,130
Fair value of net assets acquired	849,907
Goodwill	<u>64,223</u>

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

	Fair Value
	\$'000
Cash and cash equivalents	9,813,552
Investment and resale agreements	1,468,993
Loans and notes receivable, net of provisions	13,276,812
Property, plant and equipment and intangible assets	439,690
Income tax recoverable	27,009
Accounts receivable	339,406
Deferred tax assets	9,117
Deposits	(23,201,019)
Deferred tax liability	(23,571)
Accounts payable	<u>(450,175)</u>
Net assets	<u>1,699,814</u>
Net asset acquired 3 October 2013 (50%)	<u>849,907</u>
Cash consideration	(914,130)
Cash and cash equivalents acquired	<u>9,813,552</u>
Net cash inflow on acquisition	<u>8,899,422</u>

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Period ended 31 December 2013

(Expressed in Jamaican dollars unless otherwise indicated)

3. Business Combinations (continued)

Loans and notes receivable are stated after IFRS provisions of J\$145.7 million.

Since the acquisition, the acquired business has contributed J\$341.5 million in revenues and incurred operating expenses of J\$322.8 million for the Group.