



JAMAICA MONEY MARKET BROKERS LIMITED

Group Financial Statements

Unaudited Three Months Financial Results for period ended 30 June 2012



Jamaica Money Market Brokers Limited

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ended 30 June 2012**

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JAMAICA MONEY MARKET BROKERS LIMITED

Unaudited Three Months Financial Results for the period ended 30 June 2012

Directors' Statement

PERFORMANCE HIGHLIGHTS

Net Profit of J\$2.04 billion, grew by 114.7%

Earnings per Stock Unit of J\$1.39, up J\$0.74

Dividend of 11 cents per share

Net Interest Income up 35.7%

Profit before taxation of J\$2.2 billion, grew by 112.5%

Efficiency ratio 55.6%

The Directors are pleased to announce that the JMMB Group has posted a net profit of J\$2.04 billion and earnings per share of J\$1.39 for the quarter ended 30 June 2012. These results represent a J\$1.09 billion or 114.7% improvement over the prior period.

Net Interest Income showed an increase year-over-year moving from J\$725.4 million to J\$984.2 million, an increase of 35.7%. JMMB's continued strategy of segmented management of the Group's investment portfolio and cost of funds continue to yield positive results. Other operating revenues, namely foreign exchange margins from cambio trading and commission income also reflected increases of 51.0% and 40.6% respectively which were driven largely by increased volume activity.

Operating expenses increased by 22.0% to J\$778.0 million compared to J\$637.6 million for the prior year. This increase was mainly attributable to growth in subsidiaries in the regional markets, inflationary increases granted to staff at the start of the financial year and performance pay and profit share accruing to staff as a result of the individual and Group's performance.

However, despite this increase in expenses, management continues to effectively manage our efficiency ratio (administrative costs as a percentage of operating revenue) which was 55.6% at the end of the quarter. We continue to pursue a strategy of growing revenues faster than expenses.

Consistent with JMMB's strategic objectives, the Group finalised the acquisition of 93.14% equity stake in Capital & Credit Financial Group Limited (CCFG) on 29 June 2012 which resulted in a gain of J\$1.57 billion.

Our associated company's performance continues on a positive trajectory contributing J\$23.6 million for the quarter, having recovered from adverse impact in prior year on its loan portfolio.

The total asset base of the JMMB Group increased by J\$29.4 billion or 23.6% for the quarter, moving from J\$124.7 billion as at 31 March 2012 to J\$154.1 billion. This increase in assets was due mainly to acquisition of the CCFG which contributed J\$31.9 billion.

Regulatory Capital Requirements

The company continues to exceed its regulatory capital requirements. The Company's capital to risk weighted assets ratio stood at 19.7% whereas the Financial Services Commission (FSC) benchmark stipulates a minimum of 14%. The Company's capital to total assets ratio was 13.3% (2011 – 11.5%) whereas the FSC benchmark is 6%.

Corporate Social Responsibility (CSR) – Standing For All

As a Caribbean corporate citizen, JMMB remains dedicated to the advancement of all people of the region by inspiring others to greatness, stirring positive change and spurring nation building through outreach and development initiatives. This is fully grounded in our ethos of service to others as we focus on social transformation in the areas of sports, health, education and cultural events. For the three month period, Quarter 1, the Group contributed over J\$6 million.

- o In Jamaica, the Group continued its support of sports development to Jamaica's national football programme through the Jamaica Football Federation (JFF) with its three-year J\$11 million investment in the 'JMMB/JFF/UTECH' Coaching School. For the quarter, the company contributed J\$2 million to the programme. This donation has gone towards assisting with fees for lecturers, materials for students, transportation, light refreshments and securing a venue for a projected seven courses for 2012.
- o The Group further extended its support through monetary contributions and team member participation of the Prana "Inspired Living" seminar which brought together, on one platform, several motivational speakers as examples of persons who are consciously trying to live their best lives. The seminar fits perfectly with the brand's commitment to living life in all its abundance – with passion, purpose, love and understanding the inter-relatedness of all aspects of life.
- o Additionally, JMMB sponsored the PSOJ Annual Economic Forum, not only through monetary contributions, but played a major role in the staging of the event. The event allowed Jamaicans to be a part of effective discussions aimed at generating creative solutions to issues of our country and the way forward for the Jamaican economy, given the 2012-2013 budget and the prevailing local and international environment.
- o In addition, significant investments have been made towards training, education and job creation, including a commitment of J\$20 million over a two-year period to the Youth Upliftment Through Employment (Y.U.T.E.) programme. To date, the Group has contributed over J\$14.2 million of our commitment.

The IBL Banking Group in Trinidad and Tobago continued to invest in 'Mental Math' – an annual Inter-School Mathematics Olympiad for primary schools.

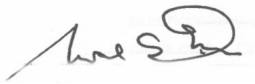
In the Dominican Republic, a campaign to encourage financial literacy in children was activated in partnership with Junior Achievement through its 'My Money Business' seminars. Also, the Madeleas girls' home was adopted as part of the company's efforts to empower young women.

General

As we enter our 20th year of service this November, the JMMB Group is well-poised to grow to the next level as a leading indigenous financial services group in the region with our recent addition to the family of the Capital & Credit Financial Group (CCFG). The Group is excited at this new phase in the company's history as this expanded entity will be positioned to deliver the best of CCFG and JMMB – to provide a platform for offering our clients a wide range of products and services and becoming an integrated financial house throughout the Caribbean.

The JMMB Group continues to focus on its key strategic imperatives of building core revenues across diversified business lines locally and through our regional territories in order to drive long term sustainable growth and further enhance shareholder value.

The Directors extend sincere appreciation to our clients, team members and shareholders who continue to support and contribute to the success of the Group.



Noel A. Lyon
Chairman



Keith P. Duncan
Group Chief Executive Officer

Jamaica Money Market Brokers Limited

Consolidated Profit and Loss Account

Period ended 30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 30 June 12	Unaudited Three Months Ended 30 June 11
Note	\$'000	\$'000
Net Interest Income and Other Revenue		
Interest income	2,352,419	2,170,291
Interest expense	(1,368,197)	(1,444,867)
Net interest income	984,222	725,424
Fees and commission income	66,173	47,060
Gains on securities trading, net	300,268	872,017
Foreign exchange margins from cambio trading	43,527	28,827
Operating revenue net of interest expense	1,394,190	1,673,328
Other Income		
Dividends	4,211	2,239
	1,398,401	1,675,567
Operating Expenses	(777,989)	(637,624)
Operating Profit	620,412	1,037,943
Gain on acquisition of subsidiaries	3 1,570,735	-
Share of profits of associated company (net of tax)	23,570	4,085
Profit before Taxation	2,214,717	1,042,028
Taxation	(173,892)	(91,380)
Profit for the period	2,040,825	950,648
Attributable to:		
Equity holders of the parent	2,034,297	944,546
Non-controlling interest	6,528	6,102
	2,040,825	950,648
Earnings Per Stock Unit	\$1.39	\$0.65

Jamaica Money Market Brokers Limited

Consolidated Statement of Comprehensive Income

Period ended 30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 30 June 12	Unaudited Three Months Ended 30 June 11
	\$'000	\$'000
Profit for the period	2,040,825	950,648
Other comprehensive income:		
Unrealised (loss)/gains on available for sale investments	(139,377)	828,725
Foreign exchange translation differences	1,041	(20,053)
	<u>(138,336)</u>	<u>808,672</u>
Total comprehensive income for period, net of tax	<u>1,902,489</u>	<u>1,759,320</u>
Total comprehensive income attributable to:		
Equity holders of the parent	1,895,961	1,757,228
Non-controlling interest	6,528	2,092
	<u>1,902,489</u>	<u>1,759,320</u>

Jamaica Money Market Brokers Limited

Consolidated Statement of Financial Position

30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

	Note	Unaudited as at 30 June 12	Unaudited as at 30 June 11	Audited as at 31 March 12
		\$'000	\$'000	\$'000
ASSETS				
Cash and cash equivalents		5,968,060	3,149,723	4,157,234
Interest receivable		2,857,815	2,281,247	1,904,807
Income tax recoverable		1,780,990	1,169,219	1,423,097
Loans and notes receivable, net of provision		9,294,344	3,151,966	3,375,627
Other receivables		1,422,502	2,301,818	853,266
Investments and resale agreements		130,020,224	106,478,552	110,707,540
Investment properties		531,037	-	457,591
Interest in associated companies		698,741	647,392	665,737
Deferred tax asset		213,929	12,044	2,617
Property, plant and equipment and intangible assets		1,277,389	1,099,604	1,189,038
Customers' liability under acceptances, guarantees and letters of credit as per contra		80,066	-	-
		154,145,097	120,291,565	124,736,554
EQUITY AND LIABILITIES				
Equity				
Share Capital	4	1,743,481	379,622	379,622
Retained earnings reserve	5	8,222,323	-	8,222,323
Investment revaluation reserve		263,228	1,547,910	402,605
Cumulative translation reserve		(6,851)	4,389	(7,892)
Retained earnings		3,654,720	9,024,134	1,781,396
		13,876,901	10,956,055	10,778,054
Non-controlling interest		547,153	75,393	94,077
Total equity		14,424,054	11,031,448	10,872,131
Liabilities				
Customer deposits		5,263,488	-	-
Due to other banks		709,351	-	-
Interest payable		1,203,086	958,283	937,521
Income tax payable		808,754	322,457	805,763
Accounts payable		1,334,895	461,069	546,788
Repurchase agreements		125,768,389	102,565,847	107,591,924
Promissory notes and certificates of participation		1,011,656	548,210	470,688
Redeemable preference shares		2,759,346	2,924,994	2,759,346
Deferred tax liability		782,012	1,479,257	752,393
Liabilities under acceptances, guarantees and letters of credit as per contra		80,066	-	-
		139,721,043	109,260,117	113,864,423
		154,145,097	120,291,565	124,736,554

Jamaica Money Market Brokers Limited

Consolidated Statement of Changes in Stockholders' Equity

Period ended 30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Retained Earnings Reserve	Investment Revaluation Reserve	Cumulative Translation Reserve	Other Reserve	Retained Earnings	Attributable to Equity holders of the Parent	Non- Controlling Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at 31 March 2011 (Audited)	379,622	-	719,185	20,432	13,672	8,212,255	9,345,166	57,165	9,402,331
Profit for the period	-	-	-	-	-	944,546	944,546	6,102	950,648
Other comprehensive income for period	-	-	828,725	(16,043)	(13,672)	13,672	812,682	(4,010)	808,672
Paid in capital	-	-	-	-	-	-	-	16,136	16,136
Dividends paid	-	-	-	-	-	(146,339)	(146,339)	-	(146,339)
Balances at 30 June 2011 (Unaudited)	379,622	-	1,547,910	4,389	-	9,024,134	10,956,055	75,393	11,031,448
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	-	-	-	-	-	2,034,297	2,034,297	6,528	2,040,825
Other comprehensive income for period	-	-	(139,377)	1,041	-	-	(138,336)	-	(138,336)
Issue of shares related to business combination (Note 4)	1,363,859	-	-	-	-	-	1,363,859	-	1,363,859
Minority interests in acquired subsidiaries	-	-	-	-	-	-	-	446,548	446,548
Dividends paid	-	-	-	-	-	(160,973)	(160,973)	-	(160,973)
Balances at 30 June 2012 (Unaudited)	1,743,481	8,222,323	263,228	(6,851)	-	3,654,720	13,876,901	547,153	14,424,054

Jamaica Money Market Brokers Limited

Consolidated Statement of Cash Flows

Period ended 30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 30 June 12	Unaudited Three Months Ended 30 June 11
	\$'000	\$'000
Cash Flows from Operating Activities		
Profit for the period	2,040,825	950,648
Adjustments for:		
Unrealised gains on trading securities	(5,604)	(12,014)
Share of profits of associated company	23,570	4,085
Depreciation and amortisation	28,191	26,924
Foreign currency translation (gain)/losses	(25,146)	7,682
	<u>2,061,836</u>	<u>977,325</u>
Changes in operating assets and liabilities	380,592	5,442,000
Net cash provided by operating activities	<u>2,442,428</u>	<u>6,419,325</u>
Cash Flows from Investing Activities		
Net purchase of investment securities	(138,336)	(6,307,344)
Acquisition of subsidiaries net of cash acquired (Note 3)	(1,521,995)	-
Purchase of property, plant and equipment and computer software	(40,639)	(57,313)
Net cash used in investing activities	<u>(1,700,970)</u>	<u>(6,364,657)</u>
Cash Flows from Financing Activities		
Notes payable	-	(75,663)
Dividends paid	(160,973)	(146,339)
Net cash used in financing activities	<u>(160,973)</u>	<u>(222,002)</u>
Net increase/(decrease) in cash and cash equivalents	<u>580,485</u>	<u>(167,334)</u>
Cash and cash equivalents at beginning of year	<u>4,157,234</u>	<u>3,317,057</u>
Cash and cash equivalents at end of period*	<u><u>4,737,719</u></u>	<u><u>3,149,723</u></u>

*Cash and cash equivalents excludes cash acquired from subsidiaries

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Three months period ended 30 June 2012				
	Financial & Related Services \$'000	Banking & Related Services \$'000	Other \$'000	Eliminations \$'000	Total \$'000
External revenues	2,743,907	-	22,691	-	2,766,598
Intersegment revenue	140,025	-		(140,025)	-
Total segment revenue	2,883,932	-	22,691	(140,025)	2,766,598
Segment results	616,097	-	4,315	-	620,412
Gain on acquisition of subsidiaries					1,570,735
Share of associated company profit					23,570
Profit before tax					2,214,717
Taxation					(173,892)
Profit for the period					2,040,825
Total segment assets	156,030,565	19,537,775	3,425,899	(24,849,142)	154,145,097
Total segment liabilities	141,283,360	14,893,513	1,054,658	(17,510,488)	139,721,043
Interest income	2,349,867	-	2,552	-	2,352,419
Operating expenses	759,614	-	18,375	-	777,989
Depreciation and amortisation	27,824	-	367	-	28,191
Capital expenditure	40,639	-	-	-	40,639

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Three months period ended 30 June 2011				
	Financial & Related Services \$'000	Banking & Related Services \$'000	Other \$'000	Eliminations \$'000	Total \$'000
External revenues	3,102,587	-	17,847	-	3,120,434
Intersegment revenue	175,602	-	-	(175,602)	-
Total segment revenue	3,278,189	-	17,847	(175,602)	3,120,434
Segment results	1,035,782	-	2,161	-	1,037,943
Share of associated company profit					4,085
Profit before tax					1,042,028
Taxation					(91,380)
Profit for the period					950,648
Total segment assets	136,307,031	-	721,637	(16,737,103)	120,291,565
Total segment liabilities	124,669,887	-	697,098	(16,106,868)	109,260,117
Interest income	2,168,120	-	2,171	-	2,170,291
Operating expenses	621,938	-	15,686	-	637,624
Depreciation and amortisation	26,800	-	124	-	26,924
Capital expenditure	57,313	-	-	-	57,313

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

30 June 2012

(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 four 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 Group has interests in an associated company, as detailed below.

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

The principal activities of the company are securities brokering, securities trading, 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 company 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 subsidiary and associated companies,	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		50	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	93		Jamaica	Investment holding
Capital & Credit Merchant Bank Limited and its subsidiaries		100	Jamaica	Merchant Banking
Capital & Credit Remittance Limited		100	Jamaica	Funds transfer
Capital & Credit Holdings Inc.		80	United States of America	Investment holding

* Associated company

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

1. Identification (Continued)

On 29 June 2012, the Company acquired 93.14% of the share capital of Capital & Credit Financial Group Limited (CCFG) and its subsidiaries, See Note 3.

Capital & Credit Merchant Bank Limited has two subsidiaries, Capital & Credit Securities Limited and Capital & Credit Fund Managers Limited. Both subsidiaries are incorporated and domiciled in Jamaica.

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 2012.

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

Notes to the Financial Statements

30 June 2012

(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 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 remittance and related services, insurance brokering, investment and real estate holding.

(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

30 June 2012

(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

Notes to the Financial Statements

30 June 2012

(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 is not occupied by the Group. Investment properties are treated as a long-term investment and is 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\$2,034,297,000 (2011 – J\$944,546,000) by the weighted average number of stock units in issue during the period, numbering 1,465,097,649 (2011 – 1,463,386,752).

(j) Managed funds

The company acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. At 30 June 2012, funds managed in this way amounted to J\$19,306,543,000 (2011 – J\$17,789,774,000).

(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

Notes to the Financial Statements

30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

3. Business Combinations

Acquisition of Capital & Credit Financial Group Limited

On 29 June 2012, the Company acquired 93.14% of the share capital of Capital & Credit Financial Group Limited (CCFG) and its subsidiaries.

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	2,752,336
Shares issued as consideration for equity in CCFG (Note 4)	<u>1,363,859</u>
Total consideration paid	4,116,195
Fair value of net assets acquired	<u>(6,058,632)</u>
Negative goodwill	(1,942,437)
Other professional fees relating to acquisition	<u>371,702</u>
Gain on acquisition of subsidiaries	<u><u>1,570,735</u></u>

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

3. Business Combinations (continued)

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

	Fair Value \$'000
Cash and cash equivalents	1,230,341
Investment and resale agreements	23,507,244
Loans and notes receivable, net of provisions	5,861,874
Property, plant and equipment and intangible assets	75,903
Income tax recoverable	92,645
Accounts receivable	927,824
Deferred tax assets	211,218
Deposits	(5,308,796)
Repurchase agreements	(18,429,178)
Loan participation	(535,706)
Due to other financial institutions	(709,482)
Accounts payable	(418,707)
Net assets	<u>6,505,180</u>
Net asset acquired	6,058,632
Non-controlling interest	<u>446,548</u>
	<u>6,505,180</u>
Cash consideration	2,752,336
Cash and cash equivalents acquired	<u>(1,230,341)</u>
Net cash outflow on acquisition	<u>1,521,995</u>

Loans and notes receivable are stated after IFRS provisions of J\$514,770,000.

The acquired business did not contribute any revenues to the Group for the period ended 30 June 2012.

Jamaica Money Market Brokers Limited

Notes to the Financial Statements

30 June 2012

(Expressed in Jamaican dollars unless otherwise indicated)

4. Share Capital

By ordinary resolution dated 19 June 2012, 155,691,624 ordinary shares were issued as part payment of the acquisition of Capital & Credit Financial Group Limited, see Note 3. These shares ranked pari passu with existing ordinary shares.

	2012 Number of Shares 000	2011 Number of Shares 000
Issued ordinary share capital:		
Ordinary stock units in issue at 1 April 2012	1,463,386	1,463,386
Ordinary stock units issued in consideration for equity in CCFG (Note 3)	155,692	-
Ordinary stock units in issue at 30 June 2012	<u>1,619,078</u>	<u>1,463,386</u>

5. Retained Earnings Reserve

In accordance with a board resolution, the company transferred 7% of its total assets to non-distributable retained earnings reserve. This reserve constitutes a part of the company's capital base in determining the capital adequacy ratio.

6. Subsequent Event

Following the acquisition of 93.14% of the share capital of Capital & Credit Financial Group Limited (CCFG) on 29 June 2012 (Note 3), JMMB, pursuant to Section 209 (1) of the Companies Act 2004 of Jamaica, commenced the compulsory acquisition of the remaining 6.86% shares not tendered by CCFG shareholders. There was no application to the court made by any minority shareholder on or before 26 July 2012, and JMMB has taken the necessary steps to conclude the acquisition of the remaining minority shareholding, thereby becoming the owner of 100% of the shares of CCFG.