



JMMB GROUP LIMITED

Group Financial Statements

Unaudited Three Months Financial Results for period ended 30 June 2015



JMMB GROUP LIMITED

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ended 30 June 2015**

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JMMB GROUP LIMITED

Unaudited Three Months Financial Results for the period ended 30 June 2015

Directors' Statement

PERFORMANCE HIGHLIGHTS

Net Profit of J\$602.9 million

Earnings per Stock Unit of J\$0.36, (2014 - J\$0.17 **restated**)

Net Interest Income up 11.4%

Operating Revenue of J\$3.12 billion, grew by 29.8%

Gains on securities trading of J\$1.2 billion up 61.9%

Efficiency ratio 72.6%

The Directors are pleased to announce that the JMMB Group has posted a net profit of J\$602.9 million and earnings per share of J\$0.36 for the quarter ended 30 June 2015. The Group continues to work on building core revenues while integrating and consolidating new entities.

The result for the quarter was impacted by the Group's adoption of International Financial Reporting Interpretation Committee (IFRIC) 21, Levies. In accordance with IFRIC 21, asset tax expense imposed by the Government of Jamaica is no longer eligible to be accounted for on a periodic accrual basis but must be recorded in full when triggered. Consequently, the amount paid in April 2015 of J\$397.5 million was fully expensed in the quarter. The 2014 results were also restated to conform with the requirements of the interpretation. The full impact of the restatement is outlined in Note 4.

FINANCIAL PERFORMANCE

The Group's Net Interest Income (NII) showed positive growth year-over-year moving from J\$1.29 billion to J\$1.44 billion, an increase of J\$146.8 million or 11.4%. This increase was driven mainly by increased margins as a result of growth in Group's loan portfolio in Jamaica and Trinidad coupled with reduced costs of funds.

Other operating revenues, namely, gains on securities trading, foreign exchange margins from cambio trading and commission income also reflected increases of 61.9%, 20.5% and 39.3% respectively which were driven largely by increased volume activity and taking advantage of one-off market opportunities.

Our operations in the Dominican Republic continue to produce positive results contributing net profits of J\$51.5 million for the quarter. The Group is now poised to expand its range of services in the Dominican Republic with the approval of its money market mutual funds. On 1 July 2015, the Monetary Board approved our acquisition of Banco Rio de Ahorro Y Credito, SA, a savings and loan bank.

In Trinidad and Tobago, the Group's operations continue to move in a positive trajectory, contributing J\$41.2 million for the quarter. Management continues to build out its integrated financial services model through JMMB Investments Trinidad and Tobago Limited and its commercial banking arm, Intercommercial Bank Limited.

Our efficiency ratio (operating expenses/net operating revenue) an important measure of cost efficiency, was 72.6% at the end of the first quarter compared to 83.3% recorded for the corresponding quarter. Operating expenses for the quarter totalled J\$2.3 billion, up 13.1% compared to J\$2.0 billion for the prior year. This increase was mainly attributable to staff related costs, asset tax and expansion of business activities regionally.

The asset base of the JMMB Group increased by J\$4.8 billion or 2.2% for the period, moving from J\$217.7 billion as at 31 March 2015 to J\$222.5 billion. This increase in assets was mainly funded by client deposits and repurchase agreements. In addition, consistent with the Group's strategy of moving assets off balance sheet, managed funds on a non-recourse basis increased to J\$58.8 billion, up 51.2% compared to J\$38.9 billion for the prior year.

Regulatory Capital Requirements

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

Company	Regulatory capital ratio	30 June 2015
		%
Jamaica Money Market Brokers Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	14.8
JMMB Merchant Bank Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	19.1
Intercommercial Bank Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	19.2
Intercommercial Trust and Merchant Bank Limited	Regulatory capital to risk weighted assets ratio (Minimum requirement – 10%)	48.5
		RD\$'000
JMMB Puesto de Bolsa, S.A.	Minimum capital of RD \$5 million	1,306,102

Corporate Social Responsibility

The JMMB Group has continued to support nation-building in Jamaica, Trinidad and Tobago and Dominican Republic, the countries in which it operates across the region. In keeping with its mandate to be socially responsible, the Group during the first quarter of the FY 2015/2016 has focused on transformational training and leadership, education, community outreach initiatives and capacity building.

The Joan Duncan Foundation, the philanthropic arm of the JMMB Group in Jamaica, introduced its national project, Conversations for Greatness, with transformational training of trainers sessions for facilitators and the school leadership in selected schools. Additionally, JMMB has continued its partnership and provision of financial support of other major initiatives such as the Jamaica Football Federation (JFF), Child Resiliency Programme and CUMI. The Foundation has also provided financial support to aid capacity building in the health sector while also making financial contributions to various community-based initiatives supported by the JMMB team members. In honouring the legacy of JMMB's co-founder, the second annual Joan Duncan Lecture was held under the theme, "The New Laws – institutionalizing unethical behavior or promoting the national growth agenda?"

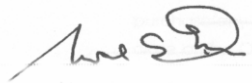
In the Dominican Republic, our corporate social responsibility effort has been demonstrated by continued financial support to the Madelaes Foundation, which caters to the welfare of orphaned girls; La Altagracia Foundation, Argentarium financial workshops and the Universidad Nacional Pedro Henriquez Urena Center for the Development of small and medium size enterprises (SMEs). Additionally with the expansion of the Group in the DR, plans are afoot to formalize and institutionalize the corporate social responsibility efforts through the establishment of the Joan Duncan Foundation in that country.

Our efforts in Trinidad and Tobago have been focused on youth development. The IBL team members have been instrumental in impacting their communities by lending their time and talent to various educational, health and wellness initiatives with the financial support of the subsidiary.

General

The Group continues to expand and transform and its business model, while building core revenues, consolidating acquisitions and driving synergies across diversified business lines locally and through our regional territories.

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



Noel A. Lyon
Chairman



Keith P. Duncan
Group Chief Executive Officer

JMMB GROUP LIMITED

Consolidated Profit and Loss Account

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Unaudited Three Months Ended 30 June 15</u>	<u>Restated Unaudited Three Months Ended 30 June 14</u>
	\$'000	\$'000
Net Interest Income and Other Revenue		
Interest income	3,281,969	3,314,436
Interest expense	(1,844,939)	(2,024,242)
Net interest income	1,437,030	1,290,194
Fee and commission income	190,533	136,745
Gains on securities trading, net	1,225,694	757,262
Foreign exchange trading, net	256,993	213,360
Operating revenue net of interest expense	3,110,250	2,397,561
Other Income		
Dividends	5,410	3,433
	3,115,660	2,400,994
Operating Expenses	(2,261,381)	(1,999,222)
Operating Profit	854,279	401,772
Gain on acquisition of subsidiaries	-	9,679
Profit before Taxation	854,279	411,451
Taxation	(251,356)	(112,153)
Profit for the period	602,923	299,298
Attributable to:		
Equity holders of the parent	585,789	278,442
Non-controlling interest	17,134	20,856
	602,923	299,298
Earnings Per Stock Unit	\$0.36	\$0.17

JMMB GROUP LIMITED

Consolidated Statement of Comprehensive Income

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Unaudited Three Months Ended 30 June 15</u>	<u>Restated Unaudited Three Months Ended 30 June 14</u>
	\$'000	\$'000
Profit for the period	602,923	299,298
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Unrealised gains on available for sale investments	245,174	311,238
Foreign exchange translation differences	46,305	67,434
	<u>291,479</u>	<u>378,672</u>
Total comprehensive income for period, net of tax	<u>894,402</u>	<u>677,970</u>
Total comprehensive income attributable to:		
Equity holders of the parent	835,934	637,815
Non-controlling interest	58,468	40,155
	<u>894,402</u>	<u>677,970</u>

JMMB GROUP LIMITED

Consolidated Statement of Financial Position

30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	<u>Unaudited</u> as at 30 Jun 15	<u>Restated</u> <u>Unaudited</u> as at 30 Jun 14	<u>Audited</u> as at 31 March 15
	\$'000	\$'000	\$'000
ASSETS			
Cash and cash equivalents	27,604,863	28,412,036	18,672,388
Interest receivable	2,820,605	2,662,248	2,561,634
Income tax recoverable	1,926,734	2,117,305	2,130,926
Loans and notes receivable, net of provision	33,204,939	28,049,454	31,924,543
Other receivables	2,020,876	1,051,456	1,245,160
Investments and resale agreements	151,020,540	149,209,221	157,499,353
Investment properties	457,591	457,591	457,591
Deferred tax asset	68,476	132,507	38,933
Property, plant and equipment and intangible assets	3,342,691	2,913,292	3,093,965
Customers' liability under acceptances, guarantees and letters of credit as per contra	78,456	361,477	90,809
	<u>222,545,771</u>	<u>215,366,587</u>	<u>217,715,302</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	1,864,054	1,864,054	1,864,054
Retained earnings reserve	9,605,055	9,605,055	9,605,055
Investment revaluation reserve	2,246,356	928,336	2,037,032
Cumulative translation reserve	(68,193)	123,667	(109,014)
Retained earnings	7,892,488	6,174,937	7,567,587
	21,539,760	18,696,049	20,964,714
Non-controlling interest	816,818	393,707	758,350
Total equity	<u>22,356,578</u>	<u>19,089,756</u>	<u>21,723,064</u>
Liabilities			
Customer deposits	39,925,639	37,482,167	38,463,504
Due to other banks	445,950	269,095	435,032
Loan participations	-	18,799	-
Notes payable	3,746,464	1,401,600	3,644,384
Securities sold under agreements to repurchase	145,730,859	148,265,909	144,501,658
Redeemable preference shares	4,228,705	4,228,705	4,228,705
Interest payable	1,290,465	1,314,780	1,185,595
Income tax payable	408,438	72,376	397,758
Other payable	3,371,752	2,073,317	2,362,486
Deferred tax liability	962,465	788,606	682,307
Liabilities under acceptances, guarantees and letters of credit as per contra	78,456	361,477	90,809
	<u>200,189,193</u>	<u>196,276,831</u>	<u>195,992,238</u>
	<u>222,545,771</u>	<u>215,366,587</u>	<u>217,715,302</u>

JMMB GROUP LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Retained Earnings Reserve	Investment Revaluation Reserve	Cumulative Translation Reserve	Retained Earnings	Attributable to Equity holders of the Parent	Non- Controlling Interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at 31 March 2014 (Audited)	1,864,054	9,605,055	636,397	56,233	6,173,689	18,335,428	353,552	18,688,980
Profit for period					558,007	558,007	20,856	578,863
Prior period adjustment, IFRIC 21 (Note 4)					(279,565)	(279,565)	-	(279,565)
Profit for the period restated	-	-	-	-	278,442	278,442	20,856	299,298
Other comprehensive income for period	-	-	291,939	67,434	-	359,373	19,299	378,672
Dividends paid	-	-	-	-	(277,194)	(277,194)	-	(277,194)
Balances at 30 June 2014 (Unaudited)	1,864,054	9,605,055	928,336	123,667	6,174,937	18,696,049	393,707	19,089,756
Balances at 31 March 2015 (Audited)	1,864,054	9,605,055	2,037,032	(109,014)	7,567,587	20,964,714	758,350	21,723,064
Profit for the period	-	-	-	-	585,789	585,789	17,134	602,923
Other comprehensive income for period	-	-	209,324	40,821	-	250,145	41,334	291,479
Dividends paid	-	-	-	-	(260,888)	(260,888)	-	(260,888)
Balances at 30 June 2015 (Unaudited)	1,864,054	9,605,055	2,246,356	(68,193)	7,892,488	21,539,760	816,818	22,356,578

JMMB GROUP LIMITED

Consolidated Statement of Cash Flows

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

	Unaudited Three Months Ended 30 Jun 15 \$'000	Restated Unaudited Three Months Ended 30 Jun 14 \$'000
Cash Flows from Operating Activities		
Profit for the period	602,923	299,298
Adjustments for:		
Gain on acquisition of subsidiaries	-	(9,679)
Unrealised (gains)/ losses on trading securities	(40,363)	19,756
Depreciation and amortisation	118,041	102,778
	680,601	412,153
Changes in operating assets and liabilities	2,093,967	6,027,741
Net cash provided by operating activities	2,774,568	6,439,894
Cash Flows from Investing Activities		
Net purchase of investment securities	6,740,292	(2,302,359)
Acquisition of subsidiaries net of cash acquired	-	(14,862)
Purchase of property, plant and equipment and computer software	(321,497)	(161,463)
Net cash provided by/(used in) investing activities	6,418,795	(2,478,684)
Cash Flows from Financing Activities		
Proceeds from issue of subordinated debt	-	1,401,600
Dividends paid	(260,888)	(277,194)
Net cash (used in)/provided by financing activities	(260,888)	1,124,406
Net increase in cash and cash equivalents	8,932,475	5,085,616
Cash and cash equivalents at beginning of period	18,672,388	23,326,420
Cash and cash equivalents at end of period	27,604,863	28,412,036

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Three months period ended 30 June 2015				
	Financial & Related Services	Banking & Related Services	Other	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	3,845,291	1,095,356	19,952	-	4,90,599
Intersegment revenue	109,965	59,086	3,852	(172,903)	-
Total segment revenue	<u>3,955,256</u>	<u>1,154,442</u>	<u>23,804</u>	<u>(172,903)</u>	<u>4,960,599</u>
Profit before tax	692,885	153,590	7,804	-	854,279
Taxation					<u>(251,356)</u>
Profit for the period					<u><u>602,923</u></u>
Total segment assets	<u>190,811,771</u>	<u>59,727,132</u>	<u>1,099,480</u>	<u>(29,092,612)</u>	<u>222,545,771</u>
Total segment liabilities	<u>168,309,112</u>	<u>50,685,451</u>	<u>1,033,158</u>	<u>(19,838,528)</u>	<u>200,189,193</u>
Interest income	2,501,810	780,159	-	-	3,281,969
Operating expenses	1,655,911	569,538	35,932	-	2,261,381
Depreciation and amortisation	90,167	26,569	1,305	-	118,041
Capital expenditure	<u>265,580</u>	<u>55,917</u>	<u>-</u>	<u>-</u>	<u>321,497</u>

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

Segment Reporting

	Restated				
	Three months period ended 30 June 2014				
	Financial & Related Services \$'000	Banking & Related Services \$'000	Other \$'000	Eliminations \$'000	Total \$'000
External revenues	3,505,129	898,713	21,394	-	4,425,236
Intersegment revenue	108,219	49,759	2,410	(160,388)	-
Total segment revenue	<u>3,613,348</u>	<u>948,472</u>	<u>23,804</u>	<u>(160,388)</u>	<u>4,425,236</u>
Operating profit	390,158	11,581	33	-	401,772
Gain on acquisition of subsidiary					<u>9,679</u>
Profit before tax					411,451
Taxation					<u>(112,153)</u>
Profit for the period					<u><u>299,298</u></u>
Total segment assets	<u>182,494,773</u>	<u>59,466,378</u>	<u>901,169</u>	<u>(27,495,733)</u>	<u>215,366,587</u>
Total segment liabilities	<u>164,501,478</u>	<u>49,942,725</u>	<u>836,189</u>	<u>(19,003,561)</u>	<u>196,276,831</u>
Interest income	2,631,360	682,957	119	-	3,314,436
Operating expenses	1,364,069	611,382	23,771	-	1,999,222
Depreciation and amortisation	72,868	29,465	445	-	102,778
Capital expenditure	<u>133,384</u>	<u>28,079</u>	<u>-</u>	<u>-</u>	<u>161,463</u>

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

1. Identification

JMMB Group Limited (the “company”) is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Haughton Terrace, Kingston 10, Jamaica. The principal activities of the Company are securities brokering, securities trading, merchant and commercial banking, dealing in money market instruments, operating a foreign exchange cambio and managing funds on behalf of clients.

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

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

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

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

2. Group reorganisation

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

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

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

3. Summary of Significant Accounting Policies

(a) Basis of preparation

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

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

All amounts are stated in Jamaican dollars unless otherwise indicated.

(b) Basis of consolidation

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

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

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

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

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

(i) Non-controlling interest

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

(ii) Loss of control

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

(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.

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. 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.

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

3. 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.

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

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3. 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\$585,789,000 (2014 – J\$278,442,000) by the weighted average number of stock units in issue during the period, numbering 1,630,552,530 (2014 – 1,630,552,530).

(j) Managed funds

The company acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. At 30 June 2015, funds managed in this way amounted to J\$58,761,231,000 (2014 – J\$38,895,016,000).

(k) Comparative Information

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

JMMB GROUP LIMITED

Notes to the Financial Statements

Period ended 30 June 2015

(Expressed in Jamaican dollars unless otherwise indicated)

4. Restatement of Comparative Financial Information

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

	As previously reported 30 June 2014	Effect of IFRIC 21	Restated 30 June 2014
	\$'000	\$'000	\$'000
Consolidated profit and loss			
Total operating revenue	2,400,994	-	2,400,994
Operating Expenses	(1,719,657)	(279,565)	(1,999,222)
Operating Profit	681,337	(279,565)	401,772
Gain on acquisition of subsidiaries	9,679	-	9,679
Profit before Taxation	691,016	(279,565)	411,451
Taxation	(112,153)	-	(112,153)
Profit for the period	578,863	(279,565)	299,298
Consolidated Statement of Financial Position			
Total Assets	215,366,587	-	215,366,587
Total Liabilities	195,997,266	279,565	196,276,831
Equity	19,369,321	(279,565)	19,089,756

5. Subsequent Event

On 1 July 2015, JMMB Holding Company Limited, SRL, a 100% owned subsidiary, acquired 90% equity and obtained management control of Banco Rio De Ahorro Y Credito, SA, savings and loan bank for US\$2,150,000 (J\$250.8 million).