

# Barita

## INVESTMENTS LIMITED

### UNAUDITED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED JUNE 30, 2018.

#### CHAIRMAN'S STATEMENT

The Board of Directors of Barita Investments Limited is pleased to present the Group's interim financial statements for the nine months ending June 30, 2018.

We are pleased to report a 7.3% gain in one of our most important revenue drivers, fee and commission income, to \$364.4 million; as well as a **44.5% growth in net profit to \$180.6 million**. Net profit for the quarter totalled \$131.2 million, reflecting a bolstered performance of 96.4% when compared with the June 2017 quarter.

Net profit translates to an earning per share (EPS) of \$0.40 year to date, against the \$0.28 reported June 2017.

Our operating performance highlights for the period under review are as follows:

- Net interest income increased 38.4% to \$306.9 million for the nine months to June 30, 2018, as related expenses declined 29.3% to \$431.4 million. The reduction in interest expenses offset an 11.3% decline in gross interest income. For the quarter, net interest income closed 55.0% higher at \$117.6 million.
- Year-to-date non-interest income closed the period at \$534.8 million, a decline of 8.0% when compared with the corresponding three quarters in the prior year. Gain on sale of investments declining 41.3% to \$111.6 million was the most significant contributor to the lower position.
- Notwithstanding the decline in year-to-date non-interest income, we remain committed in our push to grow revenues in this area so as to reduce our reliance on net interest income, and grow funds under management. Year-to-date non-interest income as a percentage of total income closed the period at 63.5%, compared to 72.4% for the corresponding period last year.
- As the Jamaican dollar lost strength to its US counterpart during the period, the Group added 57.4% to its foreign exchange trading and

translation gains, resulting in this segment closing the nine months at \$43.0 million. Of this amount, the foreign exchange trading (cambio) component accounted for \$38 million, while translation gains closed the nine-month period at \$5 million. For the quarter, these figures were \$16 million, and \$52 million, respectively.

The June quarter reflected a 10-fold increase in the segment to \$68.9 million, however, some of these gains were offset by the losses incurred in the December quarter; the effects of which continued to be felt in March. Nevertheless, the \$43.0 million reported for the nine months reflects an improvement of 57.4% when compared with last year's position.

- Fees and commission income, a segment which continues to benefit from growth in our managed funds, experienced a 7.3% increase over the nine-month period to \$364.4 million. For the quarter, growth was 6.3% to \$124.5 million.
- Dividend income and other income also finished the period lower, registering declines of \$1.5 million and \$7.0 million, respectively, to end the nine months at \$15.0 and \$0.9 million, respectively.
- Total expenses fell 4.3% to \$541.5 million year-to-date, relative to \$566.0 million in the comparable period as the Group fully accounted for asset impairment charges in the September 2017 quarter. Administration expenses increased by 7.5% to \$270.4 million, while staff expenses grew 6.6% to \$271.1 million. Our year-to-date operating expense to total revenue ratio was 42.5%, versus 35.8% reported for June 2017.

The highlights of our balance sheet as at June 30, 2018 are as follows:

- The Group recorded total assets of \$17.2 billion versus \$16.0 billion as at June 2017, and \$15.8 billion as at the September 2017 year-end. These figures reflect year-on-year and year to date changes of 7.5% and 8.4%, respectively. Securities purchased under resale agreements accounted for most of the change year-on-year,

as it closed the period 53.3% higher at \$3.9 billion.

- Total liabilities increased 8.8% to \$13.9 billion relative to June 2017, attributable mainly to a 6.2% increase in securities sold under repurchase agreements to \$12.3 billion.
- Shareholders' equity grew by 2.2% to close the reporting period at \$3.2 billion, when compared with June 2017. Compared with the September 2017 year-end, we recorded a growth of 16.1%.

#### CAPITAL ADEQUACY

The Capital base of Barita Investments Limited remains in compliance with regulatory requirements. This is set out in the following key ratios:

	FSC Requirement	Barita Achievement
Capital to Risk Weighted Asset	14%	18%
Capital to Total Asset	6%	19%
Capital Base to Tier 1 Capital	50%	96%

#### OUTLOOK

As the lower interest rate environment and a foreign exchange market underpinned with fluctuations continue to challenge us as industry players, we persist in seeking opportunities in that enhance value for you, our stakeholders. We thank you for your unwavering commitment and support to us, and remain purposed in our mission to be the premier investment services group in Jamaica and the Caribbean.



Rita Humphries-Lewin  
Chairman  
August 13, 2018.

#### CONSOLIDATED PROFIT & LOSS STATEMENT AS AT JUNE 30, 2018


	UNAUDITED 3 Months Ended June 30, 2018 \$,000	UNAUDITED 3 Months Ended June 30, 2017 \$,000	UNAUDITED 9 Months Ended June 30, 2018 \$,000	UNAUDITED 9 Months Ended June 30, 2017 \$,000
<b>Net Interest Income and Other Revenue</b>				
Interest Income	226,575	291,581	738,318	832,022
Interest cost of Repurchase Agreements	(108,931)	(215,701)	(431,363)	(610,191)
<b>Net Interest Income</b>	<b>117,644</b>	<b>75,880</b>	<b>306,955</b>	<b>221,831</b>
Fees and Commission Income	124,507	117,153	364,382	339,674
Foreign Exchange Trading and translation gains	68,874	6,649	42,964	27,290
Gain/Loss on Sale of Investment	30,503	66,107	111,589	190,245
Dividend Income	9,847	3,449	14,968	16,492
Other Income	255	6,261	871	7,886
<b>Net operating revenue</b>	<b>351,631</b>	<b>275,499</b>	<b>841,730</b>	<b>803,418</b>
<b>Operating Expenses</b>				
Staff Costs	100,556	79,639	271,124	254,285
Administration	70,484	72,158	270,401	251,610
Impairment of Available-for-sale investment	-	20,000	-	60,000
	171,040	171,797	541,525	565,895
<b>Profit before Taxation</b>	<b>180,591</b>	<b>103,702</b>	<b>300,205</b>	<b>237,523</b>
Taxation	(49,400)	(36,908)	(119,643)	(112,604)
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>131,191</b>	<b>66,794</b>	<b>180,562</b>	<b>124,919</b>
<b>Number of shares in Issue</b>	<b>445,877</b>	<b>445,877</b>	<b>445,877</b>	<b>445,877</b>
Earnings per stock unit	0.29	0.15	0.40	0.28

#### BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 2 of the audited financial statements for the year ended September 30, 2017.

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

	UNAUDITED JUNE 2018 \$,000	UNAUDITED JUNE 2017 \$,000	AUDITED SEPTEMBER 2017 \$,000
<b>ASSETS</b>			
Cash and bank balances	526,174	761,254	429,123
Securities purchased under resale agreements	3,865,592	2,522,192	3,356,850
Marketable securities	3,312,919	3,425,993	2,486,220
Pledged Assets	8,073,504	7,841,409	7,901,516
Receivables	313,959	505,081	679,196
Taxation recoverables	2,664	-	3,614
Loan receivables	388,160	382,388	354,558
Interest receivables	183,722	197,980	200,609
Due from related parties	171,235	320	76,813
Property, plant and equipment	257,864	235,990	269,364
Intangible assets	19,522	42,936	34,192
Investments	55,000	55,000	55,000
Deferred Assets	-	-	-
<b>Total assets</b>	<b>17,170,315</b>	<b>15,970,543</b>	<b>15,847,055</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Bank overdraft	-	349,361	15,339
Securities sold under repurchase agreements	12,309,017	11,595,656	11,969,626
Payables	1,057,138	416,288	563,923
Interest Payable	40,668	71,390	61,216
Due to related parties	113,970	863	5,776
Taxation	66,390	64,711	96,280
Deferred tax liabilities	358,983	316,533	358,983
<b>Total Liabilities</b>	<b>13,946,166</b>	<b>12,814,802</b>	<b>13,071,143</b>
<b>Shareholders' Equity</b>			
Stated capital	736,304	736,304	736,304
Capital reserve	93,133	69,799	93,133
Fair value reserve	1,006,323	1,086,149	604,884
Capital Redemption Reserve	220,127	220,127	220,127
Retained earnings	1,168,262	1,043,362	1,121,464
<b>Total shareholders' equity</b>	<b>3,224,149</b>	<b>3,155,741</b>	<b>2,775,912</b>
<b>Total liabilities and shareholders' equity</b>	<b>17,170,315</b>	<b>15,970,543</b>	<b>15,847,055</b>



Rita Humphries-Lewin – Chairman



Carl Domville – Director

# Barita

## INVESTMENTS LIMITED

### UNAUDITED FINANCIAL RESULTS FOR THE NINE MONTHS ENDED JUNE 30, 2018 CONT'D.

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 9 MONTHS ENDED JUNE 30, 2018

	STATED CAPITAL \$,000	TREASURY SHARES \$,000	CAPITAL RESERVE \$,000	FAIR VALUE RESERVE \$,000	CAPITAL REDEMPTION RESERVES \$,000	RETAINED EARNINGS \$,000	TOTAL \$,000
Balance at 30 September 2016	736,304		69,799	500,551	220,127	967,490	2,494,271
Reclassification entries							
<b>Profit for the period</b>						124,919	
Other comprehensive Income:							
Unrealised losses on available-for resale investments net of taxes				395,353			395,353
Gains recycled to the profit and loss account on disposal and maturity of available-for-sale investments				190,245			190,245
Adjusting Entries							-
<b>Total Comprehensive Income</b>	-	-		585,598		-	585,598
Net profit						124,919	124,919
Ordinary Dividends Paid						(49,046)	(49,046)
<b>Balance at 30 June 2017</b>	<b>736,304</b>	<b>0</b>	<b>69,799</b>	<b>1,086,149</b>	<b>220,127</b>	<b>1,043,363</b>	<b>3,155,741</b>
Balance at 30 September 2017	736,304		93,133	604,884	220,127	1,121,464	2,775,912
<b>Profit for the period</b>						180,562	
Other comprehensive Income:							
Unrealised gain on available-for resale investments net of taxes				289,850			289,850
Gains recycled to the profit and loss account on disposal and maturity of available-for-sale investments				111,589			111,589
Adjusting entries							-
<b>Total Comprehensive Income</b>	-	-	-	401,439		-	401,439
Net profit						180,562	180,562
Ordinary Dividends Paid						(133,764)	(133,764)
<b>Balance at 30 June 2018</b>	<b>736,304</b>	<b>-</b>	<b>93,133</b>	<b>1,006,323</b>	<b>220,127</b>	<b>1,168,262</b>	<b>3,224,149</b>

#### STATEMENT OF COMPREHENSIVE INCOME FOR THE 9 MONTHS ENDED JUNE 30, 2018

	UNAUDITED 3 MONTHS ENDED JUNE 30, 2018 \$,000	UNAUDITED 3 MONTHS ENDED JUNE 30, 2017 \$,000	UNAUDITED 9 MONTHS ENDED JUNE 30, 2018 \$,000	AUDITED 9 MONTHS ENDED JUNE 30, 2017 \$,000
Profit for period	131,191	66,794	180,562	124,919
Unrealised gain on available-for resale investments net of taxes	406,863	169,287	289,850	395,353
<b>Total Comprehensive Income</b>	<b>538,054</b>	<b>236,081</b>	<b>470,412</b>	<b>520,272</b>

#### CONSOLIDATED STATEMENT OF CASH FLOWS AS AT JUNE 30, 2018

	UNAUDITED 9 MONTHS ENDED JUNE 30, 2018 \$,000	UNAUDITED 9 MONTHS ENDED JUNE 30, 2017 \$,000
<b>Cash Flows from Operating Activities</b>		
Net Profit	180,562	124,919
Adjusted for:		
Depreciation	42,316	37,978
Effect of exchange gain/loss on foreign balances	(5,220)	(10,864)
Interest income	(738,318)	(832,022)
Interest expense	431,363	610,191
Income tax expense	119,643	112,604
Gain on the disposal of property, plant and equipment	-	-
	<b>30,346</b>	<b>42,806</b>
<b>Changes in operating assets and liabilities</b>		
Marketable securities	(581,566)	(493,053)
Securities purchased under resale agreements	(508,742)	163,447
Securities sold under repurchase agreements	339,391	141,910
Receivables	366,187	34,677
Loans receivable	(33,602)	42,153
Payables	463,325	6,707
Due from related companies	13,772	31,866
	<b>58,765</b>	<b>(72,293)</b>
Interest received	755,205	820,424
Interest paid	(451,911)	(556,778)
Income tax paid	(130,164)	(123,126)
<b>Cash provided by operating activities</b>	<b>173,130</b>	<b>140,520</b>
<b>Cash Flows from Investing/financing Activities</b>		
Proceeds from the disposal of property, plant and equipment	-	-
Proceeds from sale of ordinary shares and irredeemable preference shares	-	-
Ordinary Dividends Paid	(133,763)	(49,046)
Interest paid on preference shares	-	-
Purchase of property, plant and equipment	(16,146)	(20,878)
<b>Cash provided by investing/financing activities</b>	<b>(149,909)</b>	<b>(69,924)</b>
<b>Effect of exchange rate on cash and cash equivalents</b>	<b>59</b>	<b>30,921</b>
Decrease/(increase) in net cash and cash equivalents	<b>112,390</b>	<b>72,030</b>
Net cash and cash equivalents at beginning of year	413,784	339,863
<b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>526,174</b>	<b>411,893</b>