

Barita INVESTMENTS LIMITED

UNAUDITED FINANCIAL RESULTS FOR THE 3 MONTHS ENDED DECEMBER 31, 2018.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Barita Investments Limited, I am pleased to present the Group's unaudited financial statements for the first quarter, ending December 31, 2018.

Barita is proud to report a 379.7% improvement in net profit to \$108.4 million, even amid a significant impact by foreign currency translation losses totalling \$179.5 million for the first quarter of the 2019 financial year. With a stable currency, the profit levels would have been \$288 million for the quarter.

The translation losses were offset by gains on our equity portfolio amounting to \$198.4 million, and increases in all other key revenue drivers, namely fee and commission income, gain on sale of investments and dividend income.

Net profit translates to earnings per share (EPS) of \$0.24 for the quarter, relative to the loss of \$0.09 reported in December 2017. Twelve-month trailing EPS to December 2018 is \$1.15, relative to \$0.82 reported for the audited year ending September 2018.

The following highlights outline our operating performance for the period under review:

- An increase in net interest income of 53.0% to \$123.6 million, increased from \$80.8 million in the corresponding quarter of the prior financial year. Our interest costs on repurchase agreements continue to trend down, resulting in a 0.7% decline in top line interest income being offset by a 25.7% reduction in related expenses to \$129.4 million.
- Non-interest income grew 236.4%, to \$270.1 million relative to the figure of \$80.3 million reported for the December 2017 quarter. The most significant driver to this growth was fair value gains on our equity portfolios to the tune of \$198.4 million. Our other non-interest revenue areas gave strong performances as all categories except other income saw double to triple digit growth. Foreign exchange translation losses however significantly impacted the gains realised from our operating activities.
- Fees and commission income added 35.4% to \$158.5 million for the December quarter relative to December 2017's \$117.1 million, as the area continues to benefit in growth of funds under management,

however the benefits of the strengthening of the investment banking capabilities of the organisation has resulted in revenues of \$33 million being accounted for in additional fee income.

- In the context of a strengthening local dollar during the quarter, the Group realised a 185.8% increase in foreign exchange trading and translation losses when compared with the same period last year, resulting in this segment closing the period at loss of \$156.0 million. Of this amount, the foreign exchange trading (cambio) component reported a gain of \$23.5 million, 217.1% above prior year, however translation losses of \$179.5 million, our most significant translation loss of any review quarter, outweighed cambio trading and a portion of our other operating revenue streams.
- Gain on sale of investments closed the quarter with a four-fold increase to \$64.3 million when compared to December 2017 benefitting significantly from the increased investment banking functionality.
- Dividend income on our equity portfolios also finished the year higher, registering growth of 90.1% to \$4.1 million.
- Higher staff and administrative costs resulted in total operating expenses closing the quarter at \$208.5 million relative to \$166.4 million in the prior year. An impairment credit of \$6.2 million related to the implementation of IFRS 9 however led to lower overall expenses of \$202.3 million. Administrative expenses increased by 6.9% to \$83.1 million; while additional staff related costs amounted to \$36.8 million, resulting from staff restructuring activities and increases in which caused this expense category to close the quarter at \$125.4 million. Our operating expense to total revenue ratio was 39.9%, versus 49.6% reported for Q1 2017-18.

Balance sheet highlights for the Group as at December 31, 2018 are as follows:

- Total assets of \$18.9 billion versus \$16.4 billion as at December 2017, and \$18.9 billion as at the September 2018 year-end. This reflects a year-on-year change of 15.0% or \$2.5 billion. A \$2.2 billion change in marketable securities to \$5.2 billion was chiefly responsible for the increased asset position. Securities purchased under resale agreements followed with a 17.6% or \$590.2 million increase to \$3.9 billion.

- Total liabilities increased 17.5% to \$15.8 billion when compared with December 2017, attributable mainly to a 22.3% increase in repo liabilities to \$14.1 billion.
- Shareholders' equity added 15.0% or \$2.5 billion year-on-year to close the reporting period at \$3.0 billion. Compared with the financial year ending 2018, total shareholders' equity remained relatively unchanged.

CAPITAL ADEQUACY

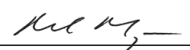
The Capital base of Barita Investments Limited remains in compliance with regulatory requirements. This is set out in the following key ratios:

	FSC Requirement	Barita's Achievement
Capital to Risk Weighted Asset	14%	19%
Capital to Total Asset	6%	16%
Capital Base to Tier 1 Capital	50%	97%

OUTLOOK

The Bank of Jamaica lowered its signal rate from 2.00% to 1.75% in December 2018, lending additional support to our outlook that market interest rates will remain low in the near term. The Bank's decision comes after an assessment that inflation could fall below the 4-6% target established, due to world crude oil prices falling below their previous forecast and remaining at low levels in the near term. Additionally, the performance of the Jamaican dollar vis-a-vis its US counterpart continues to show marked slowdown with intermittent periods of volatility, with devaluation closing the calendar year at 2.2%. In light of these realities we anticipate local equities will continue to be stimulated and provide investors with the most attractive options.

We continue to diligently observe our operating environment in order to make the best use of the opportunities present, and stand resolute in our mission to increase value to all our stakeholders. Thank you, as always, for your continued commitment and support.


Mark Myers
 Chairman
 January 28, 2019

CONSOLIDATED PROFIT & LOSS STATEMENT FOR THE 3 MONTHS ENDED DECEMBER 31, 2018

	UNAUDITED 3 Months Ended Dec 31, 2018 \$,'000	UNAUDITED 3 Months Ended Dec 31, 2017 \$,'000
Net Interest Income and Other Revenue		
Interest Income	253,063	254,952
Interest cost of Repurchase Agreements	(129,458)	(174,171)
Net Interest Income	123,605	80,781
Fees and Commission Income	158,548	117,111
Foreign Exchange Trading and translation gains	(156,034)	(54,595)
Gain/Loss on Sale of Investment	64,326	14,207
Fair value adjustment of financial assets classified as FVPL	198,430	-
Dividend Income	4,057	2,134
Other Income	810	1,437
Net operating revenue	393,742	161,075
Operating Expenses		
Staff Costs	125,373	88,566
Administration	83,157	77,817
Impairment/Expected Credit Loss (ECL)	(6,214)	-
	202,316	166,383
Profit before Taxation	191,425	(5,308)
Taxation	(83,000)	(33,457)
NET PROFIT/(LOSS) FOR THE PERIOD	108,425	(38,765)
Number of shares in Issue	445,877	445,877
Earnings per stock unit	0.24	(0.09)


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, 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT: DECEMBER 31, 2018

	UNAUDITED DECEMBER 2018 \$,'000	UNAUDITED DECEMBER 2017 \$,'000	AUDITED SEPTEMBER 2018 \$,'000
ASSETS			
Cash and bank balances	446,103	854,814	333,685
Securities purchased under resale agreements	3,947,055	3,356,850	3,935,491
Marketable securities	5,256,266	3,001,740	3,289,982
Pledged Assets	7,535,716	8,060,829	9,883,136
Interest receivables	200,653	181,010	213,746
Loan receivables	414,334	365,836	403,064
Receivables	717,986	182,213	437,019
Taxation recoverables	6,701	3,614	6,701
Due from related parties	71,002	86,191	72,096
Property, plant and equipment	254,595	264,522	243,533
Intangible assets	9,090	37,521	9,090
Investments	55,000	55,000	55,000
Deferred Assets	-	-	-
Total Assets	18,914,501	16,450,140	18,882,543
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Bank overdraft	117,793	-	311
Securities sold under repurchase agreements	14,149,397	11,568,777	14,314,319
Payables	57,657	51,378	48,221
Interest Payable	855,475	1,371,224	814,647
Due to related parties	6,126	15,049	8,348
Taxation	87,281	129,738	44,612
Deferred tax liabilities	586,013	358,984	586,014
Total Liabilities	15,859,742	13,495,150	15,816,472
Shareholders' Equity			
Stated capital	740,427	736,304	740,427
Capital reserve	93,133	93,133	93,133
Fair value reserve	328,339	822,727	910,697
Capital Redemption Reserve	220,127	220,127	220,127
Retained earnings	1,672,733	1,082,699	1,101,687
Total shareholders' equity	3,054,759	2,954,990	3,066,071
Total Liabilities and Shareholders' Equity	18,914,501	16,450,140	18,882,543


 Mark Myers - Chairman


 Carl Domville - Director

Barita INVESTMENTS LIMITED

UNAUDITED FINANCIAL RESULTS FOR THE 3 MONTHS ENDED DECEMBER 31, 2018 CONT'D.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED DECEMBER 31, 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 2017	736,304		93,133	604,884	220,127	1,121,464	2,775,912
Reclassification entries							
Profit for the period						(38,765)	
Other Comprehensive Income:							
Unrealised losses on available-for resale investments net of taxes				203,636			203,636
Gains recycled to the profit and loss account on disposal and maturity of available-for-sale investments				14,207			14,207
Adjusting Entries							
Total Comprehensive Income	-	-	-	217,843	-	-	217,843
Net Profit						(38,765)	(38,765)
Ordinary Dividends Paid						-	-
Balance at 31 December 2017	736,304	-	93,133	822,727	220,127	1,082,699	2,954,990
Balance at 30 September 2018	740,427	-	93,133	910,697	220,127	1,101,687	3,066,071
Profit for the period						108,425	
Other Comprehensive Income:							
Unrealised gain on available-for resale investments net of taxes				(106,691)			(106,691)
Gains recycled to the profit and loss account on disposal and maturity of available-for-sale investments				64,326			64,326
Adjusting entries				(539,993)		462,621	(77,372)
Total Comprehensive Income	-	-	-	(582,358)	-	462,621	(119,737)
Net Profit						108,425	108,425
Ordinary Dividends Paid						-	-
Balance at 31 December 2018	740,427	-	93,133	328,339	220,127	1,672,733	3,054,759

STATEMENT OF COMPREHENSIVE INCOME FOR THE 3 MONTHS ENDED DECEMBER 31, 2018

	UNAUDITED 3 MONTHS ENDED DEC 31, 2018 \$,'000	UNAUDITED 3 MONTHS ENDED DEC 31, 2017 \$,'000
Profit for period	108,425	(38,765)
Unrealised gain on available-for resale investments net of taxes	(106,691)	203,636
Total Comprehensive Income	1,733	164,871

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT: DECEMBER 31, 2018

	UNAUDITED 3 MONTHS ENDED DECEMBER 31, 2018 \$,'000	AUDITED 3 MONTHS ENDED DECEMBER 31, 2017 \$,'000
Cash Flows from Operating Activities		
Net Profit	108,425	(38,765)
Adjusted for:		
Depreciation	6,130	14,427
Effect of exchange gain/loss on foreign balances	179,528	62,219
Impairment/Expected Credit Losses (ECL)	(6,214)	-
FMV Gains/Losses - Equity	(198,430)	-
Interest income	(253,063)	(254,952)
Interest expense	129,458	174,171
Income tax expense	83,000	33,457
Gain on the disposal of property, plant and equipment	-	-
	48,836	(9,443)
Changes in operating assets and liabilities		
Marketable securities	303,247	(515,541)
Securities purchased under resale agreements	(11,564)	-
Securities sold under repurchase agreements	(164,922)	(400,849)
Receivables	(280,967)	496,983
Loans receivable	(11,270)	(11,278)
Payables	83,496	840,760
Due from related companies	(1,128)	(105)
	(34,272)	400,527
Interest received	266,156	274,551
Interest paid	(120,022)	(184,009)
Income tax paid	(89,680)	(37,412)
Cash provided by operating activities	22,181	453,657
Cash Flows from Investing/financing Activities		
Proceeds from the disposal of property, plant and equipment	-	-
Proceeds from sale of ordinary shares and irredeemable preference shares	-	-
Ordinary Dividends Paid	-	-
Interest paid on preference shares	-	-
Purchase of property, plant and equipment	(17,192)	(12,914)
Cash provided by investing/financing activities	(17,192)	(12,914)
Effect of exchange rate on cash and cash equivalents	(10,053)	286
Decrease/(increase) in net cash and cash equivalents	(5,064)	441,030
Net cash and cash equivalents at beginning of year	333,374	413,784
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	328,310	854,814