# Financial Results

## For the Twelve Months Ended
## September 30, 2019
(Unaudited)

Barita

Investments Limited

**Making Money Work For You Since 1977**

**$3.9B**
Net Operating Revenue

**$1.7B**
Net profits

**$13.6B**
Total Shareholder's Equity

**$41.2B**
Total Assets

**38.10%**
Efficiency Ratio

**20.80%**
Return on Average Equity

Barita ........Making Money Work For You Since 1977

# Chairman's Statement

**Mark Myers**, *Chairman*

The Board of Directors of Barita Investments Limited is pleased to present the Group's unaudited financial statements for the financial year ended September 30, 2019 ("FY 2019").

The full financial year ended September 2019, was characterised by significant growth in all areas of the business as robust growth in traditional business lines was complemented by the addition of new business lines. As a consequence of the enhanced focus on revenue diversification and efficiency, the Group experienced a 357.0% increase in net profits to $1.7 billion in FY 2019 relative to FY 2018, which is Barita's strongest financial performance in our 42-year history. For the final quarter of FY 2019, the Group reported net profits of $287.5 million which was a 57.4% increase over the corresponding period ended September 2018 ("FY 2018").

The strong financial performance for the full financial year was made possible, in part, by the increased capitalization of the Group throughout the year. During the second quarter, the Group raised $4.0 billion in fresh equity capital through a successful non-renounceable rights issue while a further $1 billion was raised in the third quarter through issuance of non-cumulative, non-redeemable preference shares. In the final quarter of the financial year the Group successfully completed a renounceable rights issue of 116,845,955 additional shares on the Jamaica Stock Exchange which closed on September 20th, 2019. The second rights issue raised a further $5.2 billion in capital for the Group, thereby quadrupling Barita's capital base from J$3 billion to J$13.6 billion over the course of twelve months. We believe the material expansion in the capital base positions the Group to be more competitive across key product segments; bolsters the resilience of the business to withstand any potential adverse market developments; and will aid in fuelling continued growth in all facets of the business into the future.

Net profit for the full year translated to earnings per share (EPS) of $2.35, after considering the bonus element in relation to the two rights issues undertaken throughout the year as per IAS 33, relative to a restated $0.56 per share for FY 2018. Without the bonus element, the EPS would have been $2.94 per share compared to $0.62 per share for the comparable period in 2018.

## Operating Performance

### Net Interest Income:

Net Interest Income registered a $227.3 million (53.8%) increase year-over-year ("YoY") for FY 2019 to $649.6 million due to a combination of factors, principally, increased portfolio size owing to our capital raising initiatives together with growth in our on book liabilities, and improved Net Interest Margin management.

### Non-Interest Income:

Non-interest income grew by 276.3% or $2.4 billion, to $3.3 billion relative to $882.4 million reported for FY 2018. This growth was principally driven by an increase in gain from investment activities of $1.9 billion, and a rise in fee income of $372.0 million over the year. Non-interest income as a percentage of net revenues, rose to 83.6% from 67.6% in the previous year reflecting the effects of the Group's revenue diversification strategies.

#### *Gain on Investment Activities & Foreign Exchange Trading:*

This business segment, relates to the management of our cambio and proprietary trading portfolio, and closed the period at $2.1 billion, registering a 547.3% increase over the $324.4 million reported for the same period in the prior financial year. This was largely driven by realized securities trading gains of $1.8 billion (compared to $136.5M in FY 2018), and foreign exchange trading income of $154 million (compared to $61.7M recorded in the prior year). Unrealized securities trading income totalled $140.3 million for FY 2019. This segment's considerable gains YoY reflect the combination of the effects of the Group's increased capitalization, positive market conditions year to date, which have reflected in our various portfolios and an increased focus on this segment due to the strengthened investment management talent acquired throughout the year. We expect this area to continue to represent a significant part of the Group's earnings going forward.

### *Fees & Commission Income:*

The performance of fees and commission income rose by 73.3% to $875.6 million year-to-date relative to the prior period's result of $505.2 million. The expansion in fee revenues was primarily driven by continued growth in the Group's asset management business line as well as revenue from the newly formed investment banking business line which was launched in December 2018. We intend to continue to support growth in the fee generating areas of the business through the introduction of new asset management products as well as continued focus on the investment banking business.

### *FX Translation Losses:*

Our local currency devalued moderately against the United States ('US") dollar during the financial year, resulting in the Group earning a marginal foreign exchange translation gain when compared to the gains recorded in the corresponding period last year. The Jamaican dollar closed the period at J$134.14 (the BOJ's mid-point weighted average buy and sell exchange rates) versus the US dollar, leading the segment to close the period with a gain of $36.5 million.

## Dividend Income:

Dividend income closed the reporting period at $30.7 million, a 36.49% decline over the prior year's figure of $31.7 million. This decline in dividend income in FY 2019 is a consequence of a more active approach to the management of the Group's equity portfolio which resulted in an increased concentration of revenues in capital gains and reduced reliance on income from dividends.

## Other Income:

This segment was reported at $314.0 million which substantively arose from the recovery of investment losses incurred by the company in prior periods.

### Operating Expenses:

Operating Expenses for FY 2019 stood at $1.5 billion, a $749.8 million or 98.5% YoY increase. The increase in operating expenses was largely driven by the continued investment in the Group's growth initiatives throughout the year in support of the aforementioned revenue growth and diversification efforts, which were more than offset by the resulting gains. The Company also experienced a related rise in administrative costs associated with increased marketing efforts and facility improvements. In FY 2019 administrative expenses increased 128.4% to $857.7 million, relative to $375.6 million in the prior year. The Group also recorded expected credit losses associated with the proprietary bond portfolio amounting to $108.1 million. Our efficiency ratio closed FY 2019 period at 38.1%, relative to 58.3% for the comparable period in the prior financial year.

## Balance Sheet Highlights

### Total Assets:

Due largely to an $18 billion growth in marketable securities and reverse repurchase agreements to $35.1 billion, Barita's on-book asset base rose materially to $41.2 billion as at September 2019 versus $18.7 billion as at September 2018 year-end. This reflects a year-on-year change of 120% or $22.5 billion funded by the aforementioned growth in the Company's capital base and repurchase agreement liabilities.

### Total Liabilities:

To fund the increase in total assets, this line increased by 74.7% or $11.8 billion to $27.6 billion when compared with September 2018, resulting largely from a 66.1% increase in repo liabilities to $23.8 billion.

### Shareholders' Equity:

The equity base of the Group grew significantly, rising by 366.2% or $10.7 billion year-on-year to close the reporting period at $13.6 billion. The growth in shareholders' equity is fuelled substantively by:

baritainvestments @BaritaLimited @baritainvestments www.barita.com makingmoney@barita.com 1-888-429-5333


1. The injection of $4 billion in additional equity in the Group arising from the non-renounceable rights issue which was successfully closed in March 2019;

2. The issuance of $1 billion in non-cumulative, non-redeemable preference shares during the third quarter. This qualifies as tier 1 capital for the Group;

3. The injection of $5.2 billion in additional equity in the Group arising from the non-renounceable rights issue which was successfully closed in September 2019

4. Current year profits for the Group amounting to J$1.7 billion

## Capital Adequacy

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

| Description | FSC Requirement | Barita's Achievement |
|---|---|---|
| **Capital to Risk Weighted Assets** | **14.0%** | **49.6%** |
| **Capital to Total Assets** | **6.0%** | **33.0%** |
| **Capital Base to Tier 1 Capital** | **50.0%** | **98.6%** |

## Group Risk, Governance & Management Updates

The Group continues to focus on strengthening its governance and risk management framework as part of an ongoing effort that saw the implementation of several related initiatives over the last twelve months. This included the recruitment of a Chief Risk Officer who will have oversight responsibility for the Barita Group; as well as the engagement of Ernst & Young to assist with the improvement of the Group-wide Enterprise Risk Management framework. The Group has also engaged KPMG to assist with the updating of several critical policies and procedures, which will serve as bolster the Group's internal control environment.

Through the Barita Education Foundation, Barita is increasing its corporate social activities as it seeks to engender a deeper cultural connection with various communities and social groups by expanding its area of charitable focus through increased cooperation and assistance. This includes the refurbishing of the Mary Bond Basic School in Harbour View, donations to the YMCA, donation of bed rails to the Salvation Army, sponsorship of the Mathematics Teaching Summit at the Mico University, and the upgrading of the admissions room at the Victoria Jubilee Hospital. Barita is committed to fulfilling its corporate social responsibility by engaging in activities that will have a greater and more sustainable impact on the communities it serves through the work of the Foundation and staff.

Importantly, our staff and customers who have benefitted from improvements made to our offices throughout the island resulting from various renovation and expansion projects, specifically the renovation of our Mandeville and Kingston branches We have also sought to enhance our customer contact avenues through the establishment of a Customer Experience Centre, thereby enhancing the service provided to our valued clients.

Barita recognises the importance of strengthening the nexus between employee engagement and the long-term objectives of the Company and its shareholders. To that end, the Company has recognised its Brain Trust by granting salary increases to staff, which averaged 25% during the year. Furthermore, the company is implementing a Stock Option programme for eligible employees who will be given the opportunity to become shareholders themselves.

## Outlook

Throughout the quarter ending in September 2019, local investment markets remained characterised by low interest rates, equity markets near or at all-time highs, robust capital market activity and largely positive economic indicators. The Bank of Jamaica ("BOJ"), citing lower than desired inflation, lowered its policy interest rate in August by 25 basis points to 0.50% ushering short term interest rates even lower. The Jamaican dollar depreciated by $4.09 or 3.12% over the quarter to close at 135.16 as per the BOJ's weighted average selling rate. The local currency was volatile during the period with a depreciatory bias as extraordinary demand by sections of the financial sector coupled with seasonality influenced the trading pattern.

baritainvestments @BaritaLimited @baritainvestments www.barita.com makingmoney@barita.com 1-888-429-5333


The external environment was largely influenced by the growth outlook in the United States and the impact of geopolitics and trade. The US Federal Reserve ("the Fed") remained cautious lowering the Federal Funds rate in September by 0.25% amidst growth concerns.

We remain positive in our outlook respecting the emerging opportunities we see in the local and international investment landscapes to further diversify and grow our revenue base. We will focus over the next several quarters on optimally deploying the capital raised throughout the FY 2019 year, sustainably growing all core revenue lines, and the continued adoption of best practice risk management and governance throughout our Group.

**Mark Myers** Chairman

**November 14, 2019**

CONSOLIDATED

## Profit & Loss Statement

As At September 30, 2019

| | UNAUDITED<br>3 Months Ended<br>September 30, 2019<br>$'000 | UNAUDITED<br>3 Months Ended<br>September 30, 2018<br>$'000 | UNAUDITED<br>12 Months Ended<br>September 30, 2019<br>$'000 | AUDITED<br>12 Months Ended<br>September 30, 2018<br>$'000 |
|---|---|---|---|---|
| **Net interest income and other revenue** | | | | |
| Interest income | 489,202 | 284,883 | 1,524,949 | 1,020,466 |
| Interest cost of repurchase agreements | (276,519) | (168,294) | (875,364) | (598,178) |
| **Net interest income** | **212,683** | **116,589** | **649,585** | **422,288** |
| Fees and commission income | 153,986 | 142,810 | 875,589 | 505,210 |
| Foreign exchange trading and translation gains/(losses) | 102,078 | 144,980 | 190,667 | 187,945 |
| Gain/(loss) on investment activities (Note 2) | 673,576 | 24,865 | 1,909,229 | 136,454 |
| Dividend income | 9,781 | 16,810 | 30,669 | 31,779 |
| Other income | 2,203 | 12,637 | 314,389 | 20,987 |
| **Net operating revenue** | **1,154,307** | **458,693** | **3,970,127** | **1,304,663** |
| **Operating expenses** | | | | |
| Staff costs | 142,668 | 115,007 | 544,941 | 385,410 |
| Administration | 511,909 | 100,205 | 857,723 | 375,566 |
| Impairment/expected credit loss (ECL) | 27,345 | - | 108,070 | - |
| | **681,923** | **215,212** | **1,510,734** | **760,976** |
| **Profit before taxation** | **472,384** | **243,481** | **2,459,393** | **543,687** |
| Taxation | (184,856) | (60,803) | (744,182) | (180,446) |
| **NET PROFIT/(LOSS) FOR THE PERIOD** | **287,528** | **182,678** | **1,715,211** | **363,241** |
| **Number of shares in Issue** | 730,987 | 652,703 | 730,987 | 652,703 |
| **Earnings per stock unit** | 0.39 | 0.28 | 2.35 | 0.56 |

CONSOLIDATED

## Statement of Financial Position

As At September 30, 2019

| | Unaudited September 2019 $'000 | Audited September 2018 $'000 | Restated September 2018 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 586,775 | 333,685 | 333,685 |
| Securities purchased under resale agreements | 9,569,528 | 3,935,491 | 3,935,491 |
| Marketable securities | 13,632,813 | 3,289,982 | 3,289,982 |
| Pledged assets | 11,916,149 | 9,883,136 | 9,883,136 |
| Interest receivables | 220,105 | 213,746 | 213,746 |
| Loan receivables | 751,846 | 403,064 | 414,334 |
| Receivables | 934,194 | 437,019 | 267,422 |
| Taxation recoverables | 53,422 | 6,701 | 6,701 |
| Due from related parties | 1,663,819 | 72,096 | 72,096 |
| Property, plant and equipment | 353,275 | 243,533 | 243,533 |
| Intangible assets | 33,531 | 9,090 | 9,090 |
| Investments | 1,511,295 | 55,000 | 55,000 |
| **Total assets** | **41,226,752** | **18,882,543** | **18,724,216** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Liabilities** | | | |
| Bank overdraft | 75,302 | 311 | 311 |
| Securities sold under repurchase agreements | 23,777,032 | 14,314,319 | 14,314,319 |
| Interest payable | 58,895 | 48,221 | 48,221 |
| Payables | 2,240,186 | 814,647 | 814,647 |
| Due to related parties | 77,711 | 8,348 | 8,348 |
| Taxation | 777,530 | 44,612 | 44,612 |
| Deferred tax liabilities | 645,899 | 586,014 | 586,014 |
| **Total Liabilities** | **27,652,555** | **15,816,472** | **15,816,472** |
| **Shareholders' Equity** | | | |
| Share capital | 10,699,032 | 740,427 | 740,427 |
| Capital reserve | 120,632 | 93,133 | 93,133 |
| Fair value reserve | 580,226 | 275,936 | 275,936 |
| Capital redemption reserve | 220,127 | 220,127 | 220,127 |
| Retained earnings | 1,954,181 | 1,736,448 | 1,578,121 |
| **Total shareholders' equity** | **13,574,197** | **3,066,071** | **2,907,744** |
| **Total liabilities and shareholders' equity** | **41,226,752** | **18,882,543** | **18,724,216** |

Mark Myers — Chairman

Carl Domville — Director

baritainvestments | @BaritaLimited | @baritainvestments | www.barita.com | makingmoney@barita.com | 1-888-429-5333


## CONSOLIDATED

## Statement of Changes In Equity

For the 12 Months Ended September 30, 2019

| | Share Capital $'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** |
| **TOTAL COMPREHENSIVE INCOME** | | | | | | |
| Net profit for the period | - | - | - | - | 363,241 | 363,241 |
| Other comprehensive Income | | | 323,748 | - | - | 323,748 |
| **Total Comprehensive Income for the period** | - | - | 323,748 | - | 363,241 | 686,989 |
| **TRANSACTIONS WITH OWNERS** | | | | | | |
| Ordinary dividends paid | - | - | - | - | (133,763) | (133,763) |
| Proposed dividend | | | | | (263,067) | (263,067) |
| Purchase of own share | 4,123 | | (17,935) | | 13,812 | - |
| **Balance at 30 September 2018** | **740,427** | **93,133** | **910,697** | **220,127** | **1,101,687** | **3,329,138** |
| **Balance at 30 September 2018** | **740,427** | **93,133** | **910,697** | **220,127** | **1,101,687** | **3,066,071** |
| Cumulative transition effect of IFRS 9 Adoption | - | - | (634,761) | - | 476,434 | (158,327) |
| **Balance at 30 September 2018 as restated** | **740,427** | **93,133** | **275,936** | **220,127** | **1,578,121** | **2,907,744** |
| **TOTAL COMPREHENSIVE INCOME** | | | | | | |
| Net profit for the period | | | | | 1,715,211 | 1,715,211 |
| Other comprehensive Income | | | 304,290 | | | 304,290 |
| **Total Comprehensive Income for the period** | | | **304,290** | **-** | **1,715,211** | **2,019,501** |
| **TRANSACTIONS WITH OWNERS** | | | | | | |
| Issue of shares (rights issue) | 9,147,253 | - | - | - | - | 9,147,253 |
| Issue of preference shares | 1,000,000 | - | - | - | - | 1,000,000 |
| Purchase of own share | (188,648) | | | | (28,646) | (217,294) |
| Ordinary dividends paid | | | | | (413,270) | (413,270) |
| Proposed dividend | - | - | - | - | (897,235) | (897,235) |
| | 9,958,605 | - | - | - | (1,339,151 | 8,619,454 |
| **OTHER RESERVES** | | | | | | |
| Revaluation of properties | - | 27,499 | - | - | - | 27,499 |
| **Balance at 30 September 2019** | **10,699,032** | **120,632** | **580,226** | **220,127** | **1,954,181** | **13,574,197** |

## STATEMENT OF Comprehensive Income

For the 12 Months Ended September 30, 2019

| | UNAUDITED<br>3 Months Ended<br>September 30, 2019<br>$'000 | UNAUDITED<br>3 Months Ended<br>September 30, 2018<br>$'000 | UNAUDITED<br>12 Months Ended<br>September 30, 2019<br>$'000 | UNAUDITED<br>12 Months Ended<br>September 30, 2018<br>$'000 |
|---|---|---|---|---|
| Profit for period | 287,528 | 182,678 | 1,715,211 | 363,241 |
| Unrealised gain on available-for resale investments net of taxes | (252,184) | 406,863 | 304,290 | 323,748 |
| **Total comprehensive income** | **35,344** | **589,541** | **2,019,501** | **686,989** |

CONSOLIDATED

## Statement of Cash Flows

As At September 30, 2019

| | Unaudited 12 Months Ended September 30, 2019 | Audited 12 Months Ended September 30, 2018 |
| --- | --- | --- |
| | $'000 | $'000 |
| **Cash Flows from Operating Activities** | | |
| **Net Profit** | 1,715,211 | 363,241 |
| **Adjusted for:** | | |
| Depreciation | 33,082 | 58,832 |
| Effect of exchange gain/loss on foreign balances | (36,568) | (125,487) |
| Impairment/expected credit losses (ECL) | 108,070 | - |
| FMV gains/losses - equity | (140,296) | - |
| Interest income | (1,524,949) | (1,021,945) |
| Interest expense | 875,364 | 599,657 |
| Income tax expense | 858,880 | 180,446 |
| | 1,888,794 | 64,421 |
| **Changes in operating assets and liabilities:** | | |
| Marketable securities | (12,005,025) | (1,986,497) |
| Securities purchased under resale agreements | (5,634,037) | (516,199) |
| Securities sold under repurchase agreements | 9,462,713 | 2,048,852 |
| Receivables | (713,492) | 267,648 |
| Loans receivable | (337,512) | (36,414) |
| Payables | 528,304 | (31,988) |
| Due from related companies | (1,522,360) | 8,205 |
| | (8,332,616) | (181,972) |
| Interest received | 1,518,590 | 1,016,422 |
| Interest paid | (864,690) | (612,652) |
| Income tax paid | (66,078) | (176,692) |
| **Cash provided by operating activities** | **(7,744,794)** | **45,106** |
| **Cash flows from Investing/financing Activities** | | |
| Proceeds from sale of preference shares | 1,000,000 | - |
| Proceeds from sale of ordinary shares/rights issue | 9,147,253 | - |
| Treasury shares acquired | (188,648) | - |
| Ordinary dividends paid | (413,270) | (114,117) |
| Investment in preference shares | (1,456,295) | - |
| Purchase of property, plant and equipment | (167,265) | (17,576) |
| **Cash provided by investing/financing activities** | **7,921,775** | **(131,693)** |
| **Effect of exchange rate on cash and cash equivalents** | **1,118** | **6,177** |
| Decrease/(increase) in net cash and cash equivalents | 178,098 | (80,410) |
| Net cash and cash equivalents at beginning of year | 333,374 | 413,784 |
| **Net cash and cash equivalents at end of the year** | **511,472** | **333,374** |

# Notes to the Unaudited Financial Statements

September 30, 2019

## 1. Statement of compliance and basis of preparation

## Interim Financial Reporting

The condensed consolidated interim financial statements (interim financial statements) for the quarter ended September 30, 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim financial statements should be read in conjunction with the annual financial statements for the year ended September 30, 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They are also prepared in accordance with requirements of the Jamaican Companies Act.

The Group has adopted the following standards and amendments to standards, which became effective during the current financial year:

### IFRS 15, 'Revenue from Contracts with Customers'

Effective October 1, 2018 the Group adopted IFRS 15 'Revenue from contracts with Customers". The standard introduces core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized and any discounts or rebates on the contract price must generally be allocated to the separate elements. The Group has reviewed transactions which may be affected and concluded that there was no material impact on adoption of IFRS 15.

### IFRS 9, 'Financial Instruments'

Effective October 1, 2018, the Barita Group adopted IFRS 9, 'Financial Instruments', which replaced IAS 39. The Group has applied the new rules under the modified retrospective treatment allowed under the standard, with the practical expedients permitted. The modified retrospective treatment does not require the restatement of prior periods; therefore comparatives for the prior year were not restated and are therefore in accordance with IAS 39.

Under IFRS 9, financial assets are required to be classified into three measurement categories: (i) those to be measured subsequently at amortised cost, (ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI) and (iii) those to be measured subsequently at fair value through profit or loss (FVTPL). Classification of debt instruments under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. All equity instruments are measured at fair value under IFRS 9. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity is required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.

**Notes to the Unaudited Financial Statements September 30, 2019**
(Continued)

## Classification and Measurement

### Debt Instruments

The standard introduces new requirements to determine the measurement basis of financial assets, involving the cash flow characteristics of assets and the business models under which they are managed. Based on these conditions for classification, the Group's debt instruments which were classified as available-for-sale were reclassified as measured at FVOCI. Certain debt instruments which were classified as loans and receivables were reclassified as measured at FVOCI and some were reclassified as measured at amortised cost.

### Equity Instruments

The Group had previously classified its equity instruments as available-for-sale. With the adoption of IFRS 9, the Group has decided to measure all equity instruments at FVTPL except treasury shares. The change has resulted in the related fair value gains/(losses) being transferred from the Fair Value Reserves to Retained Earnings for instruments measured at FVTPL on October 1, 2018.

Equity investments that were previously carried as fair value through other comprehensive income (FVOCI) are now being fair valued through profit and loss (FVTPL), the amount of which totals $140,296,488 as at September 30, 2019.

### Financial Liabilities

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules are unchanged from IAS 39 'Financial Instruments: Recognition and Measurement.

### Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than incurred credit losses as previously required under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. Impairment provision does not apply to financial assets classified as FVTPL.

Under IFRS 9, loss allowances will be measured on either of the following bases:

1. 12 month ECL: These are ECLs that result from possible default events within the 12 month after the reporting date; and
2. Lifetime ECLs: these are ECLS that result from all possible default events over the expected life of a financial asset

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition, and 12-month ECL applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However lifetime ECL measurement always applies for short-term receivables without significant financial components

The group determined that the application of IFRS 9 impairment requirements at September 30, 2019 resulted in impairment losses of $ 108,070,426.

**Notes to the Unaudited Financial Statements September 30, 2019**
(Continued)

## 2. Gains/(Losses) on Investment Activities

| | **Unaudited**<br>3 Months to<br>September 30, 2019<br>**$'000** | **Unaudited**<br>3 Months to<br>September 30, 2018<br>**$'000** | **Unaudited**<br>12 Months ended<br>September 30, 2019<br>**$'000** | **Unaudited**<br>12 Months ended<br>September 30, 2018<br>**$'000** |
|---|---|---|---|---|
| Gain/(Losses) on sales on investments | 1,565,030 | 24,865 | 1,768,932 | 136,454 |
| FMV gains on equity portfolio | (891,455) | - | 140,296 | - |
| | 673,576 | 24,865 | 1,909,229 | 136,454 |

**Gains/(Losses) on investment activities include $140,296,000 related to equity investments under IFRS 9, which was adopted by the Group on October 1, 2018.**

## 3. Earning per Share

The Group's earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of $1,715,211,000 by the weighted average number of ordinary shares in issue during the period of 730,987,000 shares.

On January 17, 2019, at an extraordinary general meeting of the company, the shareholders approved an offer to the holders of ordinary shares/stock units in the capital of the company up to 262,280,484 ordinary shares in the form of a non-renounceable rights issue with effect from February 25, 2019. Holders of ordinary shares/stock units were allocated 10 additional shares for every seventeen shares owned at the offer price of $15.50 per new ordinary shares. As a result of the rights issue, all prior period stock data presented in the interim results have been adjusted.

Further to the rights issue approved in February, the company held an extraordinary general meeting on July 26,2019 approving new rights issue to ordinary shareholders of the company. The resolution offer to the shareholders a total of 116,845,955 ordinary shares in the form of renounceable rights. Holders of ordinary shares/stock units were allocated 11 additional shares for every one hundred shares owned at the offer price of $45.00 per new ordinary shares.

## Notes to the Unaudited Financial Statements September 30, 2019 (Continued)

### 4. Effect of IFRS 9 Adoption

**The Group's financial statements have been adjusted as at October 1, 2018 to reflect the cumulative retrospective impact of the initial adoption of IFRS 9 (see attached).**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT: SEPTEMBER 30, 2018**

| | Audited September 2018 $'000 | Effects of IFRS 9 September 2018 $'000 | Restated September 2018 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 333,685 | - | 333,685 |
| Securities purchased under resale agreements | 3,935,491 | - | 3,935,491 |
| Marketable securities | 3,289,982 | - | 3,289,982 |
| Pledged Assets | 9,883,136 | - | 9,883,136 |
| Interest receivables | 213,746 | - | 213,746 |
| Loan receivables | 403,064 | 11,270 | 414,334 |
| Receivables | 437,019 | (169,597) | 267,422 |
| Taxation recoverables | 6,701 | - | 6,701 |
| Due from related parties | 72,096 | - | 72,096 |
| Property, plant and equipment | 243,533 | - | 243,533 |
| Intangible assets | 9,090 | - | 9,090 |
| Investments | 55,000 | - | 55,000 |
| Deferred Assets | - | - | - |
| **Total assets** | **18,882,543** | **(158,327)** | **18,724,216** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Liabilities | | | |
| Bank overdraft | 311 | - | 311 |
| Securities sold under repurchase agreements | 14,314,319 | - | 14,314,319 |
| Interest Payable | 48,221 | - | 48,221 |
| Payables | 814,647 | - | 814,647 |
| Due to related parties | 8,348 | - | 8,348 |
| Taxation | 44,612 | - | 44,612 |
| Deferred tax liabilities | 586,014 | - | 586,014 |
| **Total Liabilities** | **15,816,472** | **-** | **15,816,472** |
| **Shareholders' Equity** | | | |
| Share capital | 740,427 | - | 740,427 |
| Capital reserve | 93,133 | - | 93,133 |
| Fair value reserve | 910,697 | (634,761) | 275,936 |
| Capital redemption reserve | 220,127 | - | 220,127 |
| Retained earnings | 1,101,687 | 476,434 | 1,578,121 |
| **Total shareholders' equity** | **3,066,071** | **(158,327)** | **2,907,744** |
| **Total liabilities and shareholders' equity** | **18,882,543** | **(158,327)** | **18,724,216** |