

# Financial Results

For the Three Months Ended

**December 31, 2019**

(Unaudited)

# Barita

Investments Limited

**Making Money Work For You Since 1977**







**\$1.1B**

Net Operating  
Revenue



**\$0.5B**

Net profits

---



**\$14.1B**

Total Shareholder's  
Equity



**\$45.2B**

Total Assets

---



**43.38%**

Efficiency Ratio



**24.60%**

Return on Average  
Equity



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## 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 three months ending December 31, 2019 ("Q1 FY 2020"). For Q1 FY 2020, the Group reported net profits of \$503 million which represented a 382% increase over net profits of \$108.4 million for the corresponding period ended December 31 2018 ("Q1 FY 2019").

The first quarter of FY 2020 reflected the continued effects of the overhaul of Barita's business strategy to include increased capitalization and the addition of new business lines which took place during FY 2019. Q1 FY 2020 showed robust growth across most core business lines as the Group continues to focus on customer engagement and acquisition, revenue diversification and efficiency through operational excellence. As Barita enters the 2nd Quarter, increased focus will be placed on Talent Management and Succession Planning. We recruited a Senior Human Resource Executive to spearhead this important initiative. Developing our talent and creating a culture of agile leadership will be critical in facilitating the expansion of the business.

Net profit for Q1 FY 2020 translated to earnings per share (EPS) of \$0.61, relative to a restated \$0.17 per share for Q1 FY 2019. The quarter's outturn brought twelve months trailing net profits to J\$2.1 billion which translated to Return on Average Equity of 24.6%.

As a company regulated by the Financial Services Commission that is also listed on the Jamaica Stock Exchange, the Board recognizes the importance of having a robust corporate governance structure in place consistent with regulatory standards and best practices. The Board has affirmed its commitment in this regard by overseeing the implementation of a number of initiatives over the last financial year as it sought to strengthen the governance, risk management and management depth of the Company. The recruitment of a Chief Risk Officer in November 2019 with risk management oversight coupled with the engagement of KPMG to assist with the updating of several critical policies and procedures, were critical initiatives executed during the last two quarters. The lynchpin of the initiatives, which will underpin the risk management and general investment activities of the Company going forward, is the improvement of the Group-wide Enterprise Risk Management framework, which is being done with the assistance of Ernst & Young.



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## Operating Performance

### Net Interest Income:

Net Interest Income recorded an \$85 million (68.8%) increase year-over-year for Q1 FY 2020 to \$208.6 million. The increase was principally driven by continued increase in our balance sheet assets due to the continued deployment of the capital raised and the rebalancing of our on-book portfolio.

### Non-Interest Income:

Non-interest income grew by 241.7% or \$652.8 million, to \$922.9 million relative to \$270.1 million reported for Q1 FY 2019. This growth was primarily driven by an increase in Fees and Commission Income of \$420.2 million or 265% versus Q1 FY 2019 to \$578.7 million. Non-interest income as a percentage of net revenues, rose to 81.6% from 68.6% in the corresponding period of FY 2019 reflecting the continued 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 \$309.6 million registering a 8.2% or \$23.4 million increase to when compared with \$286.3 million reported for the same period in the prior financial year. This was largely driven by realized securities trading gains of \$138.8 million, and foreign exchange trading income (\$57.5 million). These two revenue segments registered a 123.6% or \$108.5 million increase in Q1 FY 2020 versus the \$196.3 million posted in the corresponding FY 2019 period. Unrealized securities trading income totalled \$113.3 million for FY 2020.

#### *Fees & Commission Income:*

The performance of fees and commission income rose by 265% to \$578.7 million in Q1 FY 2020 relative to the prior period's result of \$158.5 million. The sharp rise in fee income was primarily driven by the Group's continued activity in the fairly new Investment Banking business line and the continued growth of the asset management business. We expect this business line to continue to be an area of consistent and above trend growth for Barita, through support of both the product and deal pipeline in the asset management and investment business lines respectively.



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## **FX Translation Losses:**

Our local currency appreciated against the United States ("US") dollar during Q1 FY 2020. Our improved focus on actively managing the Group's foreign exchange exposure resulted in the Group earning foreign exchange translation gains of \$30 million when compared to the losses of \$179.5 million recorded in the corresponding period last year.

## **Dividend Income:**

Dividend income closed the reporting period at \$3.2 million, a 20.6% decline over the Q1 FY 2019's figure of \$4.1 million.

## **Operating Expenses:**

Operating Expenses for Q1 FY 2020 stood at \$490.9 million, a \$288.6 million or 142.6% YoY increase. The rise in Operating expenses was driven by the continued investment in the resources necessary to achieve the Group's strategic initiatives. Staff Related Costs rose by \$77.2 million to \$202.5 million for the quarter due to talent retention and acquisition initiatives. There was also a rise in administrative costs associated with our increased Marketing and Branding efforts as well as facility improvements. For Q1 FY 2020 administrative expenses increased 197.5% to \$247.4 million, relative to \$83.2 million in the prior period. Finally, the Group recorded expected credit losses associated with the proprietary bond and credit portfolios amounting to \$40.9 million. Our efficiency ratio closed the quarter at 43.38%, relative to 51.38% for the comparable period in the prior financial year.



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## Balance Sheet Highlights

### Total Assets:

Due largely to an \$11.3 billion growth in marketable securities, Barita's on-book asset base rose materially to \$45.2 billion as at December 2019 versus \$18.9 billion as at the prior period ended December 2018. This reflects a year-on-year change of 139.2% or \$26.3 billion, largely funded by the material growth year-over-year in the company's capital base and repurchase agreement liabilities.

### Total Liabilities:

To fund the increase in total assets, this line increased by 97.5% or \$15.5 billion to \$31.3 billion when compared with December 2018, resulting largely from a 100.3% increase in repo liabilities to \$28.3 billion.

### Shareholders' Equity:

The equity base of the Group grew significantly, rising by 361.6% or \$11.0 billion year-on-year to close the reporting period at \$14.1 billion. The growth in shareholders' equity is fuelled by:

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 of FY 2019. This qualifies as tier 1 capital for the Group; and

3.

The injection of \$5.2 billion in additional equity in the Group, arising from the renounceable rights issue which was successfully closed in September 2019



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## Outlook

Throughout the quarter ending in December 2019, local investment markets continued to show the effects of strong investor, consumer and business confidence, stable and predictable monetary policy, and prudent fiscal management. Interest rates remained range bound near recent lows, and local equity markets continued to benefit from heavy activity with new Initial Public Offerings (“IPO’s”) attracting significant capital from the investing public. The Bank of Jamaica (“BOJ”) left its policy interest rate unchanged during the quarter at 0.50%, while the Jamaican dollar traded in a wide range during the quarter against the United States dollar (between J\$131.53: US\$1.00 and J\$142.23: US\$1.00). This reflected an appreciation by \$2.59 or 1.92% over the quarter to close at J\$132.57 as per the BOJ’s weighted average selling rate.

The external investment landscape continued to be largely driven by the impact of geopolitics and trade factors. The International Monetary Fund (IMF) forecasted in October 2019 that global growth would fall to 3.0% for 2019, its lowest level since 2008–09, on the back of rising global trade tensions. The final quarter of the year was however characterised by greater optimism as corporate earnings growth in developed markets topped expectations and the US & China announced progress with their trade negotiations.

We continue to remain optimistic about the opportunities before us to drive growth, diversification and sustainability in our revenue base. We will continue throughout the next several quarters to prudently manage the company’s asset base in the context of the emerging risks in our operating environment.

  
Mark Myers / Chairman

January 28, 2020



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## CONSOLIDATED

### Profit & Loss Statement

As At December 31, 2019

**UNAUDITED**  
**3 Months Ended**  
**December 31, 2019**  
**\$'000**

**UNAUDITED**  
**3 Months Ended**  
**December 31, 2018**  
**\$'000**

Net interest income	208,621	123,605
Fees and commission income	578,733	158,548
Foreign exchange trading and translation gains/(losses)	87,475	(156,034)
Gain/(loss) on investment activities (Note 2)	252,140	262,756
Dividend income	3,222	4,057
Other income	1,379	810
<b>Net operating revenue</b>	<b>1,131,569</b>	<b>393,742</b>
<b>Operating expenses</b>		
Staff costs	202,539	125,373
Administration	247,412	83,157
Impairment/expected credit loss (ECL)	40,961	(6,214)
	<b>490,911</b>	<b>202,316</b>
<b>Profit before taxation</b>	<b>640,658</b>	<b>191,425</b>
Taxation	(137,686)	(83,000)
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>	<b>502,972</b>	<b>108,425</b>
<b>Number of shares in Issue</b>	818,878	652,703
<b>Earnings per stock unit</b>	0.61	0.17



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## CONSOLIDATED

### Statement of Financial Position

As At December 31, 2019

	<u>Unaudited</u> December 2019 \$'000	<u>Unaudited</u> December 2018 \$'000	<u>Audited</u> September 2019 \$'000
<b>ASSETS</b>			
Cash and bank balances	768,404	446,103	787,920
Securities purchased under resale agreements	8,934,300	3,947,055	14,678,974
Marketable securities	16,568,696	5,256,266	9,366,586
Pledged assets	11,916,149	7,535,716	10,928,445
Interest receivables	344,667	200,653	219,681
Loan receivables	849,188	414,334	751,846
Receivables	1,975,083	717,986	741,816
Taxation recoverables	53,422	6,701	6,701
Due from related parties	1,864,687	71,002	1,624,584
Property, plant and equipment	413,847	254,595	353,275
Intangible assets	33,531	9,090	33,531
Investments	1,511,295	55,000	1,511,295
<b>Total assets</b>	<b>45,233,270</b>	<b>18,914,501</b>	<b>41,004,654</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Bank overdraft	12,291	117,793	71,819
Securities sold under repurchase agreements	28,347,216	14,149,397	24,033,915
Interest payable	57,536	57,657	58,895
Payables	879,095	855,475	1,739,686
Due to related parties	357,665	6,126	77,711
Taxation	802,412	87,281	730,500
Deferred tax liabilities	676,213	586,013	622,850
<b>Total Liabilities</b>	<b>31,132,429</b>	<b>15,859,742</b>	<b>27,335,376</b>
<b>Shareholders' Equity</b>			
Share capital	10,880,310	740,427	10,699,381
Capital reserve	111,465	93,133	111,466
Fair value reserve	432,908	328,339	685,248
Capital redemption reserve	220,127	220,127	220,127
Retained earnings	2,456,031	1,672,733	1,953,056
<b>Total shareholders' equity</b>	<b>14,100,841</b>	<b>3,054,759</b>	<b>13,669,278</b>
<b>Total liabilities and shareholders' equity</b>	<b>45,233,270</b>	<b>18,914,501</b>	<b>41,004,654</b>

  
Mark Myers Chairman

  
Carl Domville Director



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## CONSOLIDATED

### Statement of Changes In Equity

For the 3 Months Ended December 31, 2019

	Share Capital \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Capital Redemption Reserves \$'000	Retained Earnings \$'000	Total \$'000
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	-	-	(475,667)	-	462,621	(13,046)
<b>Balance at 1 October 2018</b>	<b>740,427</b>	<b>93,133</b>	<b>435,030</b>	<b>220,127</b>	<b>1,564,308</b>	<b>3,053,025</b>
<b>TOTAL COMPREHENSIVE INCOME</b>						
Net profit for the period	-	-	-	-	108,425	108,425
Other comprehensive Income	-	-	(106,691)	-	-	(106,691)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(106,691)</b>	<b>-</b>	<b>108,425</b>	<b>1,734</b>
<b>TRANSACTIONS WITH OWNERS</b>						
Proposed dividend	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>740,427</b>	<b>93,133</b>	<b>328,339</b>	<b>220,127</b>	<b>1,672,733</b>	<b>3,054,759</b>
Balance at 30 September 2019	10,699,381	111,466	685,248	220,127	1,953,056	13,669,278
<b>TOTAL COMPREHENSIVE INCOME</b>						
Net profit for the period	-	-	-	-	502,972	502,972
Other comprehensive Income	-	-	(252,340)	-	-	(252,340)
<b>Total Comprehensive Income for the period</b>	<b>-</b>	<b>-</b>	<b>(252,340)</b>	<b>-</b>	<b>502,972</b>	<b>250,632</b>
<b>TRANSACTIONS WITH OWNERS</b>						
Paid-in Capital	181,279	-	-	-	-	181,279
	181,279	-	-	-	-	181,279
<b>Balance at 31 December 2019</b>	<b>10,880,310</b>	<b>111,465</b>	<b>432,908</b>	<b>220,127</b>	<b>2,456,031</b>	<b>14,100,841</b>



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## STATEMENT OF

### Comprehensive Income

For the 3 Months Ended December 31, 2019

	UNAUDITED 3 Months Ended December 31, 2019 \$'000	UNAUDITED 3 Months Ended December 31, 2018 \$'000
Profit for period	502,972	108,425
Unrealised gain on available- for resale investments net of taxes	(252,340)	(106,691)
<b>Total comprehensive income</b>	<b>250,632</b>	<b>1,734</b>



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## CONSOLIDATED

### Statement of Cash Flows

As At December 31, 2019

#### Cash Flows from Operating Activities

	<u>Unaudited</u> 3 Months Ended December 31, 2019	<u>Unaudited</u> 3 Months Ended December 31, 2018
	\$'000	\$'000
<b>Net Profit</b>	502,972	108,425
<b>Adjusted for:</b>		
Depreciation	10,039	6,130
Effect of exchange gain/loss on foreign balances	(29,995)	179,528
Impairment/expected credit losses (ECL)	40,961	(6,214)
FMV gains/losses - equity	(113,294)	(198,430)
Interest income	(418,933)	(253,063)
Interest expense	210,313	129,458
Income tax expense	137,686	83,000
	<u>339,748</u>	<u>48,834</u>
<b>Changes in operating assets and liabilities:</b>		
Marketable securities	(8,284,953)	303,247
Securities purchased under resale agreements	5,744,674	(11,564)
Securities sold under repurchase agreements	4,313,301	(164,922)
Receivables	(1,317,753)	(280,967)
Loans receivable	(97,342)	(11,270)
Payables	(860,591)	83,496
Due from related companies	39,851	(1,128)
	<u>(123,064)</u>	<u>(34,274)</u>
Interest received	293,947	266,156
Interest paid	(211,672)	(120,022)
Income tax paid	(28,009)	(89,680)
<b>Cash provided by operating activities</b>	<u><b>(68,798)</b></u>	<u><b>22,180</b></u>
<b>Cash flows from Investing/financing Activities</b>		
Treasury shares acquired	181,278	-
Purchase of property, plant and equipment	(70,611)	(17,192)
<b>Cash provided by investing/financing activities</b>	<u><b>110,666</b></u>	<u><b>(17,192)</b></u>
<b>Effect of exchange rate on cash and cash equivalents</b>	<u><b>(1,856)</b></u>	<u><b>(10,053)</b></u>
Decrease/(increase) in net cash and cash equivalents	40,012	(5,065)
Net cash and cash equivalents at beginning of year	716,101	333,374
<b>Net cash and cash equivalents at beginning of year</b>	<u><u><b>756,113</b></u></u>	<u><u><b>328,309</b></u></u>



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## Notes to the Unaudited Financial Statements

December 31, 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 December 31, 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, 2019, 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:

### IFRIC 23, 'Uncertainty over Income Tax Treatments'

The interpretation clarifies how to apply the recognition and measurements requirements in IAS 12 when there is uncertainty over tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined in applying this interpretation.

The Group is currently assessing the impact of this amendment on the 2020 financial statements.

### IFRS 16, 'Leases'

The standard primarily addresses the accounting for leases by lessees. The standard will result in almost all leases being recognised on the statement of financial position, as it removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases. The accounting by lessors will not significantly change.

The Group is assessing the impact that the standards will have on its 2020 financial statements.



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## Notes to the Unaudited Financial Statements December 31, 2019 (Continued)

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

	Unaudited 3 Months to December 31, 2019	Unaudited 3 Months to December 31, 2018
Gains/(Losses) on sales of investments	138,846	64,326
FMV Gains on Equity Portfolio	113,294	198,430
	<u>252,140</u>	<u>262,756</u>

**Gains/(Losses) on investment activities include \$113,294,000 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 \$503,000,000 by the weighted average number of ordinary shares in issue during the period of 818,878,000 shares.