

Financial Results

For the Nine Months Ended

June 30, 2020

(Unaudited)

Barita

Investments Limited

Making Money Work For You Since 1977





\$3.8B

Net Operating
Revenue



\$2.0B

Net profits



\$15.2B

Total Shareholder's
Equity



\$52.1B

Total Assets



34.5%

Efficiency Ratio



18.7%

Return on Average
Equity

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Chairman's Statement

Mark Myers, *Chairman*

The Board of Directors of Barita Investments Limited ("Barita" or "the Company") is pleased to present the Group's unaudited financial statements for the nine months ending June 30, 2020 ("9M FY 2020").

For 9M FY 2020, the Group reported record net profits of \$2.0 billion which represented a 40.3% or \$575.6 million increase relative to net profits of \$1.43 billion for the corresponding period ended June 30, 2019 ("9M FY 2019"). The profit result for the June 2020 Quarter of \$990.9 million was also the highest quarterly profit recorded in the Company's history. Net profit for 9M FY 2020 translated to earnings per share (EPS) of \$2.45, relative to \$2.26 per share for 9M FY 2019. On a 12 months' trailing basis, net profits of \$2.3 billion were generated, resulting in a return on average equity of 18.7%.

The performance over the last quarter was set against the backdrop of the ongoing pandemic caused by the Novel Coronavirus ("COVID-19"). The pandemic impacted several areas of our business over the period including how we serve and interact with our customers as well as the heightened risk it has presented to the global economy and financial markets. Barita's response to the crisis was quite robust and proactive. As soon as signs of the pandemic emerged, we created a Coronavirus Task Force internally chaired by the Deputy Chairman of Barita, Mr. Paul Simpson, with the mandate to execute our Business Continuity Plan (BCP) and other strategies to mitigate the risk of COVID-19 to our staff and customers. Led by our Senior HR Executive, Mrs. Stephanie Murdock, we implemented several measures with our team members' safety in mind during this period to include the introduction of a private transportation system for staff with four (4) routes; Portmore, Spanish Town, Kingston and Harbour View. We also introduced a shift system to promote and practice social distancing and remote working for those who have pre-existing health conditions. We have also been conducting enhanced sanitization of key touch points hourly and to further support our employees, we created a COVID-19 Fund of up to 30 days salary for any team member who ends up contracting the virus. Importantly, we have not forgotten our responsibilities as members of the wider society during this time. We partnered with SunNation to provide aid to the most vulnerable via donations to Food for the Poor and the Mustard Seed Communities.

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The onset of the crisis also triggered the activation of our Liquidity Management Task Force, chaired by our Chief Risk Officer, Mr. Dane Brodber, aimed at effectively managing the heightened potential systemic risks presented by the financial markets during this period. Heading into this crisis Barita was conservatively positioned respecting both its on and off-balance sheet exposures with an investment strategy which generally favoured low market and liquidity risk. This prudent positioning allowed Barita to effectively weather the pandemic's effects on markets which hit their lowest levels in late March to early April 2020. Barita's strong liquidity and capital positions heading into the crisis allowed us to capitalize on several opportunities in the market while maintaining prudent liquidity and capital ratios during and at the end of the period. Capital to Total Assets stood at 29.3% relative to the regulatory minimum of 6.0%, reflecting our low leverage position and high capacity both to take on investment opportunities and withstand significant shocks. The Company's Capital to Risk Weighted Assets Ratio was at 48.1% for the period end, significantly above the regulatory minimum of 10.0%. Despite our maintenance of very robust Capital Ratios during the period we also scaled back on our conservatism which was reflected in a decline in our holdings in cash and near cash assets from \$17.7 billion or 36% of total assets by March 2020 to \$11.0 billion or 21% of total assets as at June 2020.

For the 9M FY 2020 period our results continued to largely reflect continued growth in our core business lines with particular success being experienced in our Trading, Investment Banking and Asset Management business lines. This was complemented during the June quarter by the swift action of management to optimize the Company's cost base post the onset of the pandemic. Our results have been largely fueled by our emphasis on talent acquisition and retention, sound capital and risk management and increased brand awareness and customer engagement.

Operating Performance

Barita produced Net Operating Revenue of \$3.8 billion for 9M FY 2020 which represents a \$961 million (34.1%) rise versus the outturn for the comparable period in FY 2019. Barita's revenue base during the period was influenced by:

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Net Interest Income:

Net Interest Income recorded a \$399.6 million (91.5%) increase year-over-year (YoY) for 9M FY 2020 to \$836.5 million. The rise in Net Interest Income was driven during the 9M FY 2020 period by the continued expansion of our fixed income and credit portfolios coupled with our ongoing efforts to optimize the cost and composition of our funding base.

Non-Interest Income:

Non-interest income grew by 23.6% or \$561.4 million, to \$2.9 billion relative to \$2.4 billion reported for 9M FY 2019. The growth in Non-Interest Income was principally attributed to a sharp uplift in Fees & Commission Income and Foreign Exchange Trading and Translation Gains. Non-interest income as a percentage of net revenues was 77.9% during the period, reflecting the Company's focus on revenue diversification and increased transactional and management fee income.

Gain on Investment Activities & Foreign Exchange Trading:

This business segment relates to the management of our Cambio and proprietary trading portfolio, which closed the period relatively flat compared to the corresponding period, registering a 5.2% or \$69.4 million decline to \$1.27 billion. The decline YoY was attributable to a \$59.0 million unrealized loss incurred on the Company's holdings of equity securities which compares to a \$1.3 billion unrealized gain for the comparable period. It is worthy of note that the net revenues earned from this segment entirely reflects realized trading gains in 9M FY 2020 compared to 9M FY 2019. Much of these realized gains (\$621.0 million) was generated in the third quarter ending June 2020 as the turmoil in financial markets brought on by the onset of the COVID-19 pandemic presented several opportunities for Barita's Treasury & Trading Division. During the June quarter, our investment strategy which is led at the group level by our Group Chief Investment Officer, Mr. Jason Chambers, continued to be characterized by a focus on value over momentum complemented by a relatively heavy undertone of risk management. Our trading strategy was characterized by high velocity, placing measured amounts of capital at risk, principally in fixed income markets. During the period we placed great emphasis on:

- Maintaining a reservoir of contingent liquidity to deal with the potential fallout from the crisis.
- Carefully rebalancing our on-balance sheet portfolios towards risk assets to capture value from the recovery in financial markets during the period.
- Maintaining a low leverage ratio to limit the impact of a potential market reversal.

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Fees & Commission Income:

Fees and commission income rose by 93.1% to \$1.4 billion for 9M FY 2020 relative to the prior period's result of \$721.6 million. The rise in fee income during the period was primarily driven by the Group's continued growth in assets under management via our Asset Management business under the leadership of our VP, Asset Management & Research, Ramon Small-Ferguson coupled with significant strides made in our Investment Banking business. The appointment of a VP, Investment Banking, Ms. Terise Kettle, in March 2020 coupled with our robust liquidity position and our ability to leverage local and regional strategic partnerships, allowed us to bring to completion \$7.5 billion in deals during the quarter. The market climate also offered us exceptional opportunities to onboard a number of 'prime' investment banking clients. We expect this to auger well for this business line in future periods.

FX Translation Gains:

We continued during the period to tactically position the Group's Balance Sheet to safeguard shareholders' equity against the effects of currency risk. Our local currency depreciated by \$4.62 or 3.4% against the United States dollar ("US\$") to close 9M FY 2020 at \$140.01 as per the Bank of Jamaica ("BOJ") Weighted Average Selling Rate. The currency traded between a fairly wide range of \$12.67 during the period which was characterised by increased volatility brought on by the pandemic. The Group registered foreign exchange translation gains of \$263.0 million for the year-to-date period which compares favourably to the loss of \$18.3 million recorded in the corresponding period last year.

Operating Expenses:

Non-Interest Expenses for 9M FY 2020 showed a rise of 57.3% or \$474.9 million versus the corresponding period in 9M FY 2019 to \$1.3 billion. The year-over-year rise in expenses was driven by increases in staff costs and administrative expenses which were set off against a decline in the Company's expected credit losses ("ECL"). The decline in ECL was due to a rebalancing in the Company's investment portfolio in addition to a reassessment of ECLs charged in prior periods which over-estimated Loss Given Defaults. However, in recognizing the current and future impacts of COVID-19, our probability of default estimates was increased during the period.

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The general rise in expenses reflects the Company's continued investments in the critical pillars of its transformation growth strategy. This is reflected in the 37.9% or \$152.5 million increase in Staff Costs to \$554.8 million. Administrative Expenses also rose by 112.6% or \$389.4 million versus the comparable period in FY 2019. The rise was driven primarily by increased Office & Premises Expenses resulting from our initiatives to improve the organization's facilities. The Company's Efficiency Ratio for 9M FY 2020 was 34.5% versus 29.4% in 9M FY 2019.

Balance Sheet Highlights

Total Assets:

Barita's on-book assets of \$52.1 billion as at June 2020, represents a \$21.0 billion or 67.6% increase over prior year. This increase is largely due to a \$14.6 billion growth in cash, marketable securities, pledged assets, and reverse repurchase agreements, which in aggregate now total \$41.8 billion.

Total Liabilities:

To fund the increase in total assets, our total liabilities line rose by 68.9% or \$15.0 billion to \$36.8 billion when compared with June 2019, resulting largely from a 57.3% increase in repo liabilities to \$30.7 billion.

Shareholders' Equity:

The equity base of the Group grew significantly, rising by 64.5% or \$6.0 billion YoY to close the reporting period at \$15.2 billion. The growth in Shareholders' Equity was largely a result of the following:

1.

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;

2.

The effect of dividends declared and paid during the period; and

3.

An increase in Retained Earnings.

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Outlook

The Company's activities during the June 2020 quarter were heavily influenced by the onset of the COVID-19 pandemic which brought with it an unparalleled set of circumstances for local and global economies and financial markets. The medical crisis brought on by the pandemic triggered heavy monetary and fiscal policy reactions from central banks and governments around the world which have generally been well accepted by financial markets. Many areas of the market have rebounded sharply from their lows seen in late March/April 2020. General synchrony in global fiscal and monetary policy has seen many governments announce extraordinary stimulus programs and central banks unveil various expansionary policy measures aimed at cushioning the impact of the virus.

Despite the monetary and fiscal policy reactions and the recovery seen in many riskier asset classes, the International Monetary Fund ("IMF") revised down further their growth forecast for 2020 to -4.90%, 1.90% below its April 2020 forecast of -3.00%. The lower revision was driven by the IMF indicating that the COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than they previously anticipated, and that the recovery is projected to be more gradual than previously forecasted.

In response to the onset of the pandemic in Jamaica, the Government of Jamaica ("GOJ") took several very early steps aimed at containing the spread of the virus to include restrictions on public gatherings and movement of people. The GOJ also announced tax cuts of around 0.6% of GDP which were coupled with relief measures for up to 0.5% of GDP aimed at offsetting the effects of COVID-19 according to the IMF. The Bank of Jamaica ("BOJ") has kept interest rates low and has taken several steps to sure up system-wide liquidity to include the purchase of GOJ securities from market participants and the injection of liquidity via several lending windows totalling approximately J\$57 billion to date according to the IMF.

The BOJ has also been supplying liquidity to the foreign exchange market via several interventions during the quarter. These measures included sales of US Dollars from the Net International Reserves ("NIR") via the B-FXITT auction mechanism, issuance of US\$ indexed bonds, and through US\$ repurchase agreement windows. The BOJ's involvement in the FX market helped to contain the depreciation of the currency which rose as high as J\$ 147.39: US\$:1.00 during the quarter before closing at J\$140.01:US\$1.00 according to the BOJ Weighted Average Selling Rate.

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This unprecedented period occasioned by the COVID-19 pandemic has been characterized by several challenges and opportunities for the Company and has tested the boundaries of the ingenuity and resilience of our team as we navigated this uncharted terrain for ourselves and our clients. We strategically held a fairly conservative posture heading into the crisis which certainly served us well during the fallout in financial markets and allowed us to capitalize from their subsequent recovery, emerging even stronger. The onset of the crisis has necessitated our further use of technology to facilitate seamless interactions with our team members and customers. While we do not believe the effects of the crisis are behind us, we believe Barita is well positioned to continue to weather this unique period and create value for our stakeholders. Our focus in the immediate term is to continue to prioritize the safety of our customers and team members while maintaining ample liquidity and capital buffers, to be resilient in the face of further potential market shocks along with being able to take advantage of opportunities that may present themselves.

In closing, I would like to thank Mrs. Paula Barclay our General Manager and her team as well as our customers for their continued support during this extraordinary period. We also express our gratitude to the medical and other personnel at the heart of the fight against the virus. Our thoughts, prayers and support go out to those most severely impacted by this crisis.


Mark Myers Chairman

August 10, 2020

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Profit & Loss Statement

As At June 30, 2020

	UNAUDITED 3 Months Ended June 30, 2020 \$'000	UNAUDITED 3 Months Ended June 30, 2019 \$'000	UNAUDITED 9 Months Ended June 30, 2020 \$'000	UNAUDITED 9 Months Ended June 30, 2019 \$'000
Net interest income	296,463	180,484	836,545	436,902
Fees and commission income	633,048	307,605	1,393,457	721,603
Foreign exchange trading and translation gains/(losses)	321,092	226,705	427,731	88,588
Gain/(loss) on investment activities (Note 2)	257,242	625,787	1,108,363	1,235,653
Dividend income	3,873	1,073	8,206	20,888
Other income	248	310,478	2,601	312,186
Net operating revenue	1,511,966	1,652,132	3,776,902	2,815,820
Operating expenses				
Staff costs	209,450	176,172	554,784	402,272
Administration	216,323	130,639	735,235	345,814
Impairment/expected credit loss (ECL)	(80,467)	58,386	13,715	80,725
	345,306	365,197	1,303,734	828,811
Profit before taxation	1,166,660	1,286,935	2,473,169	1,987,009
Taxation	(175,804)	(375,957)	(469,889)	(559,326)
NET PROFIT/(LOSS) FOR THE PERIOD	990,856	910,978	2,003,280	1,427,683
Number of shares in Issue	818,878	630,900	818,878	630,900
Earnings per stock unit	1.21	1.44	2.45	2.26

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Statement of Financial Position

As At June 30, 2020

ASSETS

	Unaudited June 2020 \$'000	Unaudited June 2019 \$'000	Audited September 2019 \$'000
Cash and bank balances	2,572,419	1,281,934	787,920
Securities purchased under resale agreements	2,515,468	3,680,807	14,678,974
Marketable securities	4,900,903	10,325,910	9,366,586
Pledged assets	30,793,829	11,916,149	10,928,445
Interest receivables	643,246	286,189	219,681
Loan receivables	2,074,291	1,817,095	751,846
Receivables	3,834,877	517,021	741,816
Taxation recoverable	53,422	53,422	6,701
Due from related parties	2,491,388	120,915	1,624,584
Property, plant and equipment	666,606	313,785	353,275
Intangible assets	9,757	7,468	33,531
Investments	1,512,002	755,000	1,511,295
Total assets	52,068,207	31,075,696	41,004,654

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Bank overdraft	112,646	3,440	71,819
Securities sold under repurchase agreements	30,736,447	19,539,035	24,033,915
Interest payable	107,999	48,197	58,895
Payables	4,929,224	1,112,138	1,739,686
Due to related parties	577,407	12,082	77,711
Taxation	94,771	163,673	730,500
Deferred tax liabilities	269,183	929,896	622,850
Total Liabilities	36,827,677	21,808,462	27,335,376

Shareholders' Equity

Share capital	10,880,310	5,547,318	10,699,381
Capital reserve	111,466	120,632	111,466
Fair value reserve	72,291	832,410	685,248
Capital redemption reserve	220,127	220,127	220,127
Retained earnings	3,956,335	2,546,747	1,953,056
Total shareholders' equity	15,240,530	9,267,234	13,669,278
Total liabilities and shareholders' equity	52,068,207	31,075,696	41,004,654

Mark Myers Chairman

Carl Domville Director

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Statement of Changes In Equity

For the 9 Months Ended June 30, 2020

	Share Capital	Capital Reserve	Fair Value Reserve	Capital Redemption Reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	-	-	(634,761)	-	476,434	(158,327)
Balance at 1 October 2018	740,427	93,133	275,937	220,127	1,578,121	2,907,745
TOTAL COMPREHENSIVE INCOME						
Net profit for the period	-	-	-	-	1,427,683	1,427,683
Other comprehensive Income			556,474	-	-	556,474
Revaluation of Properties		27,499				27,499
Total comprehensive income for the period	-	27,499	556,474	-	1,427,683	2,011,656
TRANSACTIONS WITH OWNERS						
Issue of shares (rights issue)	3,995,539	-	-	-	-	3,995,539
Issue of preference shares	1,000,000	-	-	-	-	1,000,000
Purchase of own share	(188,648)				(45,786)	(234,434)
Ordinary dividends paid	-	-	-	-	(413,270)	(413,270)
Balance at 30 June 2019	5,547,318	120,632	832,410	220,127	2,546,748	9,267,234
Balance at 30 September 2019	10,699,381	111,466	685,248	220,127	1,953,056	13,669,278
TOTAL COMPREHENSIVE INCOME						
Net profit for the period					2,003,280	2,003,280
Other comprehensive Income			(612,957)		-	(612,957)
Total Comprehensive Income for the period			(612,957)	-	2,003,280	1,390,323
TRANSACTIONS WITH OWNERS						
Paid-in Capital	180,929				-	180,929
	180,929	-	-	-	-	180,929
Balance at 30 June 2020	10,880,310	111,466	72,291	220,127	3,956,335	15,240,530

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STATEMENT OF

Comprehensive Income

For the 9 Months Ended June 30, 2020

	Unaudited 3 Months Ended June 30, 2020 \$ <u>.000</u>	Unaudited 3 Months Ended June 30, 2019 \$ <u>.000</u>	Unaudited 9 Months Ended June 30, 2020 \$ <u>.000</u>	Unaudited 9 Months Ended June 30, 2019 \$ <u>.000</u>
Profit for period	990,856	910,978	2,003,280	1,427,683
Unrealised gains on investments net of taxes and revaluation of properties	(148,868)	156,806	(612,957)	583,973
Total comprehensive income	841,988	1,067,784	1,390,323	2,011,656

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Statement of Cash Flows

As At June 30, 2020

Cash Flows from Operating Activities

	Unaudited 9 Months Ended June 30, 2020	Unaudited 9 Months Ended June 30, 2019
	\$'000	\$'000
Net Profit	2,003,280	1,427,683
Adjusted for:		
Depreciation	42,953	21,453
Effect of exchange gain/loss on foreign balances	(262,983)	18,290
Impairment/expected credit losses (ECL)	13,715	80,725
FMV gains/losses - equity	59,845	(1,031,751)
Interest income	(1,472,478)	(1,035,747)
Interest expense	635,933	598,845
Income tax expense	469,889	559,326
	1,490,154	638,824
Changes in operating assets and liabilities:		
Marketable securities	(6,327,363)	(7,592,150)
Securities purchased under resale agreements	1,476,000	254,684
Securities sold under repurchase agreements	6,702,532	5,224,716
Receivables	(3,139,782)	(296,320)
Loans receivable	(346,531)	(1,402,761)
Payables	2,835,871	297,491
Due from related companies	(367,108)	(45,084)
	2,323,771	(2,920,602)
Interest received	1,048,913	963,304
Interest paid	(586,828)	(598,869)
Income tax paid	(914,669)	(96,383)
Cash provided by operating activities	1,871,187	(2,652,549)
Cash flows from Investing/financing Activities		
Proceeds from sale of preference shares	-	1,000,000
Proceeds from sale of ordinary shares/rights issue	-	3,995,539
Treasury shares acquired	180,929	(188,648)
Ordinary dividends paid	-	(413,270)
Investment in preference shares	(707)	(700,000)
Purchase of property, plant and equipment	(332,509)	(90,084)
Cash provided by investing/financing activities	(152,287)	3,603,537
Effect of exchange rate on cash and cash equivalents	24,772	(5,868)
Decrease/(increase) in net cash and cash equivalents	1,743,672	945,120
Net cash and cash equivalents at beginning of year	716,101	333,374
Net cash and cash equivalents at end of the period	2,459,773	1,278,494

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Notes to the Unaudited Financial Statements

June 30, 2020

1. Statement of compliance and basis of preparation

Interim Financial Reporting

The condensed consolidated interim financial statements (interim financial statements) for the quarter ended March 31, 2020 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 must consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that is used or plans to use in its income tax filing.

If the entity concludes that it is probable that a tax treatment is accepted, the entity must determine taxable profit consistent with the tax treatment included in its income tax filings. Additionally, if the entity concludes that it is not probable that a tax treatment is accepted, the entity must use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the outcome of the uncertainty.

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.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

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

Financial Results

For the Nine Months Ended June 30, 2020 (Unaudited)

\$3.8B
Net Operating
Revenue

\$2.0B
Net profits

\$15.2B
Total Shareholder's
Equity

\$52.1B
Total Assets

34.5%
Efficiency
Ratio

18.7%
Return on Average
Equity

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Notes to the Unaudited Financial Statements

June 30, 2020 (Continued)

2. Gains/(Losses) on Investment Activities

	Unaudited 3 Months to June 30, 2020 \$'000	Unaudited 3 Months to June 30, 2019 \$'000	Unaudited 9 Months to June 30, 2020 \$'000	Unaudited 9 Months to June 30, 2019 \$'000
Gains/(Losses) on sales of investments	620,985	(178,349)	1,168,208	(48,645)
FMV Gains on Equity Portfolio	(363,743)	804,136	(59,845)	1,284,298
	<u>257,242</u>	<u>625,787</u>	<u>1,108,363</u>	<u>1,235,653</u>

3. Earnings per Share

The Group's earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of \$2,003,280,000 by the weighted average number of ordinary shares in issue during the period of 818,878,000 shares.