# BARITA INVESTMENTS LIMITED

## FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

# BARITA INVESTMENTS LIMITED

## FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

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Chartered Accountants
26 Beechwood Avenue
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Kingston 5, Jamaica



# INDEPENDENT AUDITORS' REPORT

To the Members of
Barita Investments Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the consolidated financial statements of Barita Investments Limited and its subsidiary (the group) and the financial statements of Barita Investments Limited standing alone (the company) set out on pages 6 to 92, which comprise the group's and the company's statement of financial position as at 30 September 2020, and the group's and the company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at 30 September 2020, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Barita Investments Limited

**Key Audit Matters (cont'd)**

*Key Audit Matters*

**Expected credit losses in relation to financial assets**

**See notes 3(e) and 5(iv) to the financial statements for management's related policies and disclosures.**

The determination of expected credit losses ('ECL') on financial assets is highly subjective and requires management to make significant judgement and estimates involving the application of a forward looking ECL impairment model, which takes into account reasonable and supportable forward looking information and will result in the earlier recognition of impairment provisions. These estimates involve increased judgement as a result of the economic impacts of COVID-19 on the group's financial assets. The most significant impact of the implementation of the impairment model is to the provisioning policy for the group's investment securities.

The group makes judgements regarding the recoverability of investment securities making certain assumptions and judgements in arriving at the provision for impairment. The group estimates ECL on debt securities using a transition matrix based on historical default rates for each rating grade apart from AAA. Debt securities were placed in categories based on the class and ratings and loss given default arrived at using the historical recovery rates based on government and corporate defaults.

**How our audit addressed the Key Audit Matter**

- The group's accounting policy as it relates to the impairment provisioning for debt securities was obtained and the reasonableness of the impairment provision assessed in relation to the requirements of the standard.

- We established an understanding of management's ECL model including source data, the effectiveness of the implementation and the mathematical accuracy of the model. We tested the reliability of the source data used in the design of the model by confirming a sample to the public historical data.

- We evaluated the appropriateness of management's assumptions and judgement in arriving at the loss given default percentage by assessing the factors used in establishing the weighting assigned by management. The main macro factors used were compared to external public information and calculations tested through re-computation.

- We determined whether the default risk percentage was accurately calculated and correctly applied to the relevant grade of each debt security.

- We assessed the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9.

Based on the audit procedures performed, no adjustments to the financial statements were deemed necessary.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Barita Investments Limited

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for preparation of financial statements that give a true and fair view in accordance with IFRS and the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the group's and the company's financial reporting process.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated and stand-alone financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated and stand-alone financial statements do not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Barita Investments Limited

**Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of
Barita Investments Limited

**Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on additional matters as required by the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Raynold McFarlane.

BDO

**Chartered Accountants**

17 December 2020

**BARITA INVESTMENTS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**YEAR ENDED 30 SEPTEMBER 2020**

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| Net interest income | | 882,589 | 650,999 |
| Fees and commission income | | 1,827,376 | 693,273 |
| Dividend income | | 8,677 | 30,670 |
| Foreign exchange trading and translation gains | | 978,451 | 353,503 |
| Gain on sale of investments | | 1,412,958 | 1,873,298 |
| Other | | 103,918 | 378,031 |
| Net operating revenue | | 5,213,969 | 3,979,774 |
| Operating Expenses | | | |
| Staff costs | 7 | ( 846,090) | ( 553,550) |
| Administration costs | | (1,151,116) | ( 896,738) |
| Impairment of financial assets | | ( 110,794) | ( 75,162) |
| | 8 | (2,108,000) | (1,525,450) |
| Profit before Taxation | | 3,105,969 | 2,454,324 |
| Taxation | 9 | ( 347,440) | ( 741,543) |
| **PROFIT FOR THE YEAR** | 10 | 2,758,529 | 1,712,781 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| ***Items that may subsequently be reclassified to profit or loss*** | | | |
| Realised gains on securities at FVOCI | 9 | 521,028 | 600,202 |
| ECL adjustment on securities FVOCI | 9 | 4,226 | 81,743 |
| Unrealised losses on securities at FVOCI | 9 | (1,096,347) | ( 470,267) |
| Fair value gain on property, plant and equipment, net of taxes | 9 | - | 18,333 |
| Total other comprehensive income | | ( 571,093) | 230,011 |
| **TOTAL COMPREHENSIVE INCOME** | | 2,187,436 | 1,942,792 |
| **BASIC EARNINGS PER SHARE** | 16 | $3.33 | $2.42 |

# BARITA INVESTMENTS LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 30 SEPTEMBER 2020

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 11 | 5,277,608 | 787,920 |
| Securities purchased under resale agreements | 12 | 8,039,603 | 14,678,974 |
| Investment securities | 13 | 13,939,095 | 11,042,562 |
| Pledged assets | 14 | 35,425,728 | 10,928,445 |
| Receivables | 15 | 2,986,408 | 748,517 |
| Loans receivable | | 1,717,229 | 751,846 |
| Taxation recoverable | | 183,299 | - |
| Due from related parties | 17(b) | 1,979,035 | 1,624,584 |
| Property, plant and equipment | 18 | 609,821 | 353,275 |
| Intangible assets | 19 | 18,399 | 33,531 |
| Investment | 20 | 55,000 | 55,000 |
| Investment property | 21 | 203,400 | - |
| Right-of-use assets | 22(a) | 256,588 | - |
| Total assets | | 70,691,213 | 41,004,654 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| LIABILITIES: | | | |
| Bank overdraft | 11 | 8,720 | 71,819 |
| Short term loans | 23 | 611,947 | - |
| Securities sold under repurchase agreements | | 34,446,619 | 24,092,810 |
| Payables | 24 | 6,970,314 | 1,739,686 |
| Due to related parties | 17(b) | 273,744 | 77,711 |
| Taxation | | - | 730,500 |
| Deferred tax liabilities | 25 | 616,891 | 622,850 |
| Lease liability | 22(b) | 282,298 | - |
| Total liabilities | | 43,210,533 | 27,335,376 |
| Stockholders' Equity: | | | |
| Share capital | 26 | 24,146,554 | 10,699,381 |
| Capital reserve | 27 | 111,466 | 111,466 |
| Fair value reserve | 28 | 25,054 | 685,248 |
| Capital redemption reserve | 29 | 220,127 | 220,127 |
| Retained earnings | | 2,977,479 | 1,953,056 |
| Total stockholders' equity | | 27,480,680 | 13,669,278 |
| Total liabilities and stockholders' equity | | 70,691,213 | 41,004,654 |

Approved for issue by the Board of Directors on 17 December 2020 and signed on its behalf by:

| | |
|---|---|
| .................................................... | .................................................... |
| Paul Simpson Deputy Chairman | Carl D. Domville Director |

# BARITA INVESTMENTS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## YEAR ENDED 30 SEPTEMBER 2020

| | Share Capital $'000 | Treasury Shares $'000 | Capital Reserve $'000 | Fair Value Reserve $'000 | Capital Redemption Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **BALANCE AT 30 SEPTEMBER 2018** | 745,494 | ( 5,067) | 93,133 | 910,697 | 220,127 | 1,101,687 | 3,066,071 |
| Effects of change in accounting policy (IFRS 9 Financial instrument) | - | - | - | ( 437,127) | - | 435,039 | ( 2,088) |
| **BALANCE AT 1 OCTOBER 2018** | 745,494 | ( 5,067) | 93,133 | 473,570 | 220,127 | 1,536,726 | 3,063,983 |
| **TOTAL COMPREHENSIVE INCOME** | | | | | | | |
| Profit for the year | - | - | - | - | - | 1,712,781 | 1,712,781 |
| Other comprehensive income | - | - | 18,333 | 211,678 | - | - | 230,011 |
| | - | - | 18,333 | 211,678 | - | 1,712,781 | 1,942,792 |
| **TRANSACTIONS WITH OWNERS** | | | | | | | |
| Issue of shares, net of transaction cost (Note 26) | 9,142,186 | - | - | - | - | - | 9,142,186 |
| | 1,000,000 | - | - | - | - | - | 1,000,000 |
| Treasury shares purchased | - | (183,232) | - | - | - | - | ( 183,232) |
| Dividends paid (Note 30) | - | - | - | - | - | ( 399,216) | ( 399,216) |
| Dividends proposed (Note 30) | - | - | - | - | - | ( 897,235) | ( 897,235) |
| | 10,142,186 | ( 183,232) | - | - | - | (1,296,451) | 8,662,503 |
| **BALANCE AT 30 SEPTEMBER 2019** | 10,887,680 | ( 188,299) | 111,466 | 685,248 | 220,127 | 1,953,056 | 13,669,278 |
| Effects of change in accounting policy (Note 31) | - | - | - | - | - | ( 8,572) | ( 8,572) |
| **BALANCE AT 1 OCTOBER 2019** | 10,887,680 | ( 188,299) | 111,466 | 685,248 | 220,127 | 1,944,484 | 13,660,706 |
| **TOTAL COMPREHENSIVE INCOME** | | | | | | | |
| Profit for the year | - | - | - | - | - | 2,758,529 | 2,758,529 |
| Other comprehensive income | - | - | - | ( 571,093) | - | - | ( 571,093) |
| Realised gain transferred to retained earnings | - | - | - | ( 89,101) | - | 89,101 | - |
| | - | - | - | ( 660,194) | - | 2,847,630 | 2,187,436 |
| **TRANSACTIONS WITH OWNERS** | | | | | | | |
| Issue of shares, net of transaction cost | 13,260,146 | - | - | - | - | - | 13,260,146 |
| Treasury shares sold | - | 187,027 | - | - | - | - | 187,027 |
| Dividends proposed (Note 30) | - | - | - | - | - | (1,814,635) | ( 1,814,635) |
| | 13,260,146 | 187,027 | - | - | - | (1,814,635) | 11,632,538 |
| **BALANCE AT 30 SEPTEMBER 2020** | 24,147,826 | ( 1,272) | 111,466 | 25,054 | 220,127 | 2,977,479 | 27,480,680 |

**BARITA INVESTMENTS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED 30 SEPTEMBER 2020**

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net profit | | 2,758,529 | 1,712,781 |
| Items not affecting cash resources: | | | |
| Depreciation and amortisation | | 62,144 | 33,076 |
| Effect of exchange gain on foreign balances | | ( 967,165) | 42,941 |
| Fair value gain on investment property | | ( 37,903) | - |
| Unrealised gain on investment FVTPL | | ( 25,083) | ( 120,832) |
| Interest income | | ( 1,765,000) | ( 1,532,154) |
| Interest expense | | 882,411 | 881,155 |
| Loss on disposal of property, plant and equipment | | - | 733 |
| Taxation expense | 9 | 347,440 | 741,543 |
| Lease liability interest expense | | 15,948 | - |
| Right-of-use assets amortisation | | 23,337 | - |
| | | 1,294,658 | 1,759,243 |
| Changes in operating assets and liabilities: | | | |
| Investment securities including pledged assets, net | | (27,376,425) | ( 8,929,521) |
| Securities purchased under resale agreements, net | | 6,714,901 | ( 10,728,531) |
| Securities sold under repurchase agreements, net | | 9,972,871 | 10,448,911 |
| Receivables | | ( 2,237,891) | ( 305,109) |
| Loans receivables, net | | ( 970,952) | ( 348,782) |
| Payables | | 4,495,626 | 27,805 |
| Related companies | | 359,022 | ( 1,484,235) |
| | | ( 7,748,190) | ( 9,560,219) |
| Interest received | | 1,465,684 | 1,525,608 |
| Interest paid | | ( 821,417) | ( 870,481) |
| Income tax paid | | ( 959,666) | ( 132,409) |
| Lease payments | | ( 22,150) | - |
| Cash used in operating activities | | ( 8,085,739) | ( 9,037,501) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment | 18 | ( 285,363) | ( 122,199) |
| Purchase of intangible assets | 19 | ( 18,164) | ( 30,794) |
| Proceeds from disposal of property, plant and equipment | | - | 12,501 |
| Purchase of investment property | | ( 165,497) | - |
| Cash used in investing activities | | ( 469,024) | ( 140,492) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Dividends paid | | ( 877,090) | ( 399,216) |
| Issued ordinary shares | | 13,260,146 | 9,142,186 |
| Treasury shares purchased | | - | ( 183,232) |
| Issued preference shares | | - | 1,000,000 |
| Short term loans | | 611,947 | - |
| Cash provided by financing activities | | 12,995,003 | 9,559,738 |
| Effect of exchange rate on cash and cash equivalents | | 112,547 | 982 |
| Increase in net cash and equivalents | | 4,552,787 | 382,727 |
| Cash and cash equivalents at beginning of year | | 716,101 | 333,374 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 11 | 5,268,888 | 716,101 |

## BARITA INVESTMENTS LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## YEAR ENDED 30 SEPTEMBER 2020

| | Note | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|---|
| Net interest income | | 865,196 | 602,295 |
| Fees and commission income | | 1,338,577 | 266,603 |
| Dividend income | | 5,663 | 1,126,045 |
| Foreign exchange trading and translation gains | | 963,786 | 385,089 |
| Gain on sale of investments | | 1,403,431 | 1,826,680 |
| Other | | 102,616 | 5,365 |
| Net operating revenue | | 4,679,269 | 4,212,077 |
| Operating Expenses | | | |
| Staff costs | 7 | ( 830,401) | ( 508,026) |
| Administration costs | | (1,016,379) | ( 857,371) |
| Impairment of financial assets | | ( 8,278) | ( 60,162) |
| | 8 | (1,855,058) | (1,425,559) |
| Profit before Taxation | | 2,824,211 | 2,786,518 |
| Taxation | 9 | ( 228,630) | ( 471,302) |
| Profit for the Year | 10 | 2,595,581 | 2,315,216 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| ***Items that may subsequently be reclassified to profit or loss*** | | | |
| Realised gains on securities at FVOCI | 9 | 518,088 | 550,427 |
| Unrealised losses on securities at FVOCI | 9 | (1,188,787) | ( 470,267) |
| Fair value gain on property, plant and equipment, net of taxes | 9 | - | 18,333 |
| ECL adjustment on securities FVOCI | 9 | 13,759 | 71,628 |
| | | ( 656,940) | 170,121 |
| **TOTAL COMPREHENSIVE INCOME** | | 1,938,641 | 2,485,337 |

# BARITA INVESTMENTS LIMITED

## STATEMENT OF FINANCIAL POSITION

## 30 SEPTEMBER 2020

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and bank balances | 11 | 5,179,013 | 652,554 |
| Securities purchased under resale agreements | 12 | 8,039,603 | 14,678,974 |
| Investment securities | 13 | 13,759,726 | 10,548,727 |
| Pledged assets | 14 | 35,425,728 | 10,928,445 |
| Receivables | 15 | 2,969,487 | 734,215 |
| Loans receivable | | 1,717,229 | 751,846 |
| Tax recoverable | | 273,130 | - |
| Due from related parties | 17(b) | 1,729,171 | 1,546,670 |
| Property, plant and equipment | 18 | 608,682 | 351,972 |
| Intangible assets | 19 | 18,399 | 33,531 |
| Investment | 20 | 55,000 | 55,000 |
| Investment in subsidiary | | 85,700 | 85,700 |
| Investment property | 21 | 203,400 | - |
| Right-of-use assets | 22(a) | 256,588 | - |
| Total assets | | 70,320,856 | 40,367,634 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| LIABILITIES: | | | |
| Bank overdraft | 11 | 8,720 | 71,819 |
| Short term loans | 23 | 611,947 | - |
| Securities sold under repurchase agreements | | 34,540,980 | 24,103,594 |
| Payables | 24 | 7,120,704 | 1,674,653 |
| Due to related parties | 17(b) | 397,308 | 17,572 |
| Taxation | | - | 543,359 |
| Deferred tax liabilities | 25 | 606,608 | 566,354 |
| Lease liability | 22(b) | 282,298 | - |
| Total liabilities | | 43,568,565 | 26,977,351 |
| Stockholders' Equity: | | | |
| Share capital | 26 | 24,147,826 | 10,887,680 |
| Capital reserve | 27 | 173,321 | 173,321 |
| Fair value reserve | 28 | 14,838 | 671,778 |
| Capital redemption reserve | 29 | 313,590 | 313,590 |
| Retained earnings | | 2,102,716 | 1,343,914 |
| Total stockholders' equity | | 26,752,291 | 13,390,283 |
| Total liabilities and shareholders' equity | | 70,320,856 | 40,367,634 |

Approved for issue by the Board of Directors on 17 December 2020 and signed on its behalf by:

Paul Simpson Deputy Chairman

Carl D. Domville Director

**BARITA INVESTMENTS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED 30 SEPTEMBER 2020**

| | Share Capital $'000 | Capital Reserve $'000 | Fair Value Reserve $'000 | Capital Redemption Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **BALANCE AT 30 SEPTEMBER 2018** | 745,494 | 154,988 | 895,330 | 313,590 | ( 46,011) | 2,063,391 |
| Effects of change in accounting policy (IFRS 9 Financial Instruments) | - | - | (375,340) | - | 386,609 | 11,269 |
| **BALANCE AT 1 OCTOBER 2018** | 745,494 | 154,988 | 519,990 | 313,590 | 340,598 | 2,074,660 |
| **TOTAL COMPREHENSIVE INCOME** | | | | | | |
| Profit for the year | - | - | - | - | 2,315,216 | 2,315,216 |
| Other comprehensive income | - | 18,333 | 151,788 | - | - | 170,121 |
| | - | 18,333 | 151,788 | - | 2,315,216 | 2,485,337 |
| **TRANSACTION WITH OWNERS** | | | | | | |
| Issue of shares, net of transaction cost (Note 26) | 9,142,186 | - | - | - | - | 9,142,186 |
| Preference share | 1,000,000 | - | - | - | - | 1,000,000 |
| Dividends paid (Note 30) | - | - | - | - | ( 414,665) | ( 414,665) |
| Dividends proposed (Note 30) | - | - | - | - | ( 897,235) | ( 897,235) |
| | 10,142,186 | - | - | - | (1,311,900) | 8,830,286 |
| **BALANCE AT 30 SEPTEMBER 2019** | 10,887,680 | 173,321 | 671,778 | 313,590 | 1,343,914 | 13,390,283 |
| Effects of change in accounting policy (Note 31) | - | - | - | - | ( 8,572) | ( 8,572) |
| **BALANCE AT 1 OCTOBER 2019** | 10,887,680 | 173,321 | 671,778 | 313,590 | 1,335,342 | 13,381,711 |
| **TOTAL COMPREHENSIVE INCOME** | | | | | | |
| Profit for the year | - | - | - | - | 2,595,581 | 2,595,581 |
| Other comprehensive income | - | - | (656,940) | - | - | ( 656,940) |
| | - | - | (656,940) | - | 2,595,581 | 1,938,641 |
| **TRANSACTION WITH OWNERS** | | | | | | |
| Issue of shares, net of transaction cost (Note 26) | 13,260,146 | - | - | - | - | 13,260,146 |
| Dividends proposed (Note 30) | - | - | - | - | (1,828,207) | ( 1,828,207) |
| | 13,260,146 | - | - | - | (1,828,207) | 11,431,939 |
| **BALANCE AT 30 SEPTEMBER 2020** | 24,147,826 | 173,321 | 14,838 | 313,590 | 2,102,716 | 26,752,291 |

**BARITA INVESTMENTS LIMITED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED 30 SEPTEMBER 2020**

| | Note | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net profit | | 2,595,581 | 2,315,216 |
| Items not affecting cash resources: | | | |
| Depreciation and amortisation | | 61,980 | 32,913 |
| Effect of exchange gain on foreign balances | | ( 967,165) | ( 1,673) |
| Unrealised gain on investment FVTPL | | ( 19,174) | ( 103,645) |
| Interest income | | ( 1,746,261) | ( 1,483,450) |
| Interest expense | | 881,065 | 881,155 |
| Fair value gains on investment property | | ( 37,903) | - |
| Loss on disposal of property, plant and equipment | | - | 655 |
| Income tax expense | 9 | 228,630 | 471,302 |
| Lease liability interest expense | | 15,948 | - |
| Right-of-use assets amortisation | | 23,337 | - |
| | | 1,036,038 | 2,112,473 |
| Changes in operating assets and liabilities: | | | |
| Marketable securities including pledged assets, net | | (27,908,970) | ( 8,754,160) |
| Securities purchased under resale agreements, net | | 6,714,901 | (10,728,531) |
| Securities sold under repurchase agreements, net | | 9,972,871 | 9,646,285 |
| Receivables | | ( 2,235,272) | ( 324,382) |
| Loans receivables, net | | ( 970,952) | ( 348,782) |
| Payables | | 4,509,706 | 87,396 |
| Related companies, net | | 917,218 | ( 1,512,850) |
| | | ( 7,964,460) | ( 9,822,551) |
| Interest received | | 1,450,225 | 1,465,083 |
| Interest paid | | ( 821,417) | ( 870,481) |
| Taxation paid | | ( 676,394) | ( 25,452) |
| Lease payments | | ( 22,150) | ( 25,452) |
| Cash used in operating activities | | ( 8,034,196) | ( 9,253,401) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Purchase of property, plant and equipment | 18 | ( 285,363) | ( 122,170) |
| Purchase of intangible assets | 19 | ( 18,164) | ( 30,794) |
| Proceeds from disposal of property, plant and equipment | | - | 12,501 |
| Purchase of investment property | | ( 165,497) | - |
| Cash used in investing activities | | ( 469,024) | ( 140,463) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Dividends paid | | ( 891,862) | ( 414,665) |
| Issued ordinary shares | | 13,260,146 | 9,142,186 |
| Issued preference shares | | - | 1,000,000 |
| Short term loans | | 611,947 | - |
| Cash provided by financing activities | | 12,980,231 | 9,727,521 |
| Effect of exchange rate on cash and cash equivalents | | 112,547 | ( 100) |
| Increase in net cash and equivalents | | 4,589,558 | 333,557 |
| Net cash and cash equivalents at beginning of year | | 580,735 | 247,178 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 11 | 5,170,293 | 580,735 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

1. **IDENTIFICATION, REGULATION AND LICENCE:**

Barita Investments Limited (Barita or the company) is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 15 St. Lucia Way, Kingston 5.

The company is a licensed securities dealer and has primary dealer status from the Bank of Jamaica (BOJ). It is licensed under the Securities Act and regulated by the Financial Services Commission (FSC). The company's ordinary shares are listed on the Jamaica Stock Exchange (JSE).

On 24 August 2018, Cornerstone Investments Holdings Limited now Cornerstone Financial Holdings Limited acquired 75% of the equity in Barita Investments Limited financed via a private placement of a bond arranged by Sagicor Investments Jamaica Limited and equity capital from Cornerstone Investments Holdings Limited shareholders.

The principal activities of the company and its wholly owned subsidiary, Barita Unit Trusts Management Company Limited (BUTM) (collectively referred to as "the group') are stocks and securities brokerage, money market activities, cambio operations and funds management.

2. **REPORTING CURRENCY:**

Items included in the financial statements of the group are measured using the currency of the primary economic environment in which the group operates 'the functional currency'. These financial statements are presented in Jamaican dollars, which is considered the group's functional and presentation currency.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Amounts are rounded to the nearest thousand unless otherwise stated.

(a) **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of fair value through other comprehensive income and fair value through profit or loss investment securities, and certain items of property, plant and equipment. They are also prepared in accordance with requirements of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant for the financial statements are disclosed in Note 4.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

**New, revised and amended standards and interpretations that became effective during the year**

Certain new standards and interpretations of and amendments to existing standards have been published that became effective during the current financial year. The group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following new standards, interpretations and amendments are relevant to its operations

In these financial statements, the group adopted IFRS 16 - Leases with a transitional date of 1 October 2019. These standards were applied on a retrospective basis, with certain exceptions. As permitted, the group did not restate its prior period comparative financial statements.

The nature and the impact of the new standards and amendments is described below:

**IFRS 16, 'Leases' (effective for accounting periods beginning on or after 1 January 2019).** IFRS 16 replaces the current guidance in IAS 17. The new standard requires changes in accounting by the company as lessees are required to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases that have a lease term of 12 months or less and leases of low-value assets (under US$5,000). The group has applied IFRS 16 using the modified retrospective approach, under which the group will not restate its comparative figures but will recognise the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings. Right-of-use assets, on which the associated depreciation is charged, are recorded in the statement of financial position. Right-of-use assets are initially measured by reference to the measurement of the lease liability on the commenced date.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the organization's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method.

The impact of applying IFRS 16 as at 1 October 2019 is disclosed in note 31.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

**New, revised and amended standards and interpretations that became effective during the year**

**IFRIC 23, 'Uncertainty over Income Tax Treatments', (effective for accounting periods beginning on or after 1 January 2019)**. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over tax treatments. There was no impact on the group's financial statements from the adoption of this interpretation.

**New standards, amendments and interpretation not yet effective and not early adopted**

The following amendments to standards which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the group's future financial statements:

**Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2020).** These amendments and consequential amendments to other IFRSs result in the use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting. They clarify the explanation of the definition of material and also incorporate some of the guidance in IAS 1 about immaterial information. The adoption of these amendments is not expected to have a significant impact on the group.

The group is assessing the impact that this standard and amendment will have on the financial statements when it is adopted.

(b) **Basis of consolidation**

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The subsidiary consolidated is Barita Unit Trusts Management Company Limited which is owned 100%.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(b) **Basis of consolidation (cont'd)**

**Acquisitions from third parties**

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquirees either at fair value or at the non-controlling interests proportionate share of the acquirees net assets.

**Acquisitions involving entities under common control**

The predecessor method of accounting is used to account for acquisitions involving entities under common control, as such acquisitions are outside of the scope of IFRS 3. Under the predecessor method of accounting, the acquiring entity consolidates the results and net assets of the acquired entity either from the date of acquisition, or as if the acquisition had always taken place, and the current structure had always been in existence. In electing to utilize the latter option, the prior year's comparatives are restated.

In applying the predecessor method, the purchase consideration for the acquisition is eliminated against the book value of net assets acquired (adjusted for inconsistencies in accounting policies) with any resulting difference being dealt with as an adjustment to equity. There is no goodwill created, nor is there any negative goodwill recognized.

The group has elected to treat all such acquisitions as if the acquisition had taken place in previous years.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The accounting policies of the subsidiary are consistent with those adopted by the group.

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting to the group's chief operating decision maker.

(d) **Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the mid-point of the closing rate as at the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are recognized in other comprehensive income.

(e) **Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

**Financial assets**

(i) **Classification**

The group classifies its financial assets in the following measurement categories:

- At fair value (either through OCI or through profit or loss); and
- At amortised cost

The classification is based on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in profit or loss or OCI.

The group will reclassify debt investments when and only when its business model for managing those assets changes.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

**Financial assets (cont'd)**

(ii) **Recognition and derecognition**

Purchases and sales of financial assets are recognized on the date at which the group becomes a party to the contractual provisions of the instrument, i.e. the date they originated. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) **Measurement**

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost – Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gains or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

**Financial assets (cont'd)**

(iii) **Measurement (cont'd)**

Debt instruments

- FVOCI – Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movement in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVPL – Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the group's right to receive payment is established.

Changes in fair value of financial assets at FVPL are recognized in gains/(losses) in the profit or loss statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

**Financial assets (cont'd)**

(iv) **Impairment**

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

**Financial liabilities**

The group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: securities sold under repurchase agreements, bank overdraft, due to related company, lease liability, short term loan and trade payables.

(f) **Right-of-use assets**

At 1 October 2019, the right-of-use assets have been initially calculated at an amount equal to the initial value of the lease obligation. For leases entered into, on or after 1 January 2019, the right-of-use assets will be initially calculated at an amount equal to the initial value of the lease liability, adjusted for the following items:

i) Any lease payments made at or before the commencement date, less any lease incentives received;

ii) Any initial direct costs incurred by the group;

iii) An estimate of costs to dismantle and remove the underlying asset or to restore the site on which the asset is located.

For short-term leases that have a lease term of 12 months or less and low-value assets, the group has elected to not recognize a lease obligation and right-of-use assets and instead will recognize a lease expense as permitted under IFRS 16.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(f) **Right-of use assets (cont'd)**

The right-of-use assets will be depreciated using the straight-line from the date of adoption to the earlier of the end of the useful life of the asset or end of the lease term as determined under IFRS 16. For lease entered into after 1 October 2019, the right-of-use assets will be depreciated from the date of commencement to the earlier of the end of the useful life of the asset or end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Asset which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, Provisions, Contingent liabilities and Contingent assets.

(g) **Leases**

**Policy applicable after 1 October 2019**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 October 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 October 2019, see Note 31. The following policies apply subsequent to the date of initial application, 1 October 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(g) **Leases (cont'd)**

**Policy applicable after 1 October 2019 (cont'd)**

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining lease term.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(g) **Leases (cont'd)**

**Policy applicable after 1 October 2019 (cont'd)**

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification (cont'd):

- In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the group to use an identified asset and require services to be provided to the group by the lessor, the group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

**Nature of leasing activities (in the capacity as lessee)**

**Policy applicable before 1 October 2019**

The periodic rent is fixed over the lease term. The group leased office buildings. Leases of office buildings comprise only fixed payments over the lease terms.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(g) **Leases (cont'd)**

**Policy applicable before 1 October 2019 (cont'd)**

Leases of property, plant and equipment, where the group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The items of property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the useful life of the asset and the lease term.

(h) **Revenue recognition**

**Interest income**

Interest income and expense are recognized in profit or loss for all interest bearing instruments on an accrual basis using the effective interest rate method. Interest income includes coupons earned on fixed income investments and accrued discounts or premiums on treasury bills and other discounted instruments.

**Fees and commission income**

Fees and commission income are recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction.

**Dividend income**

Dividends are recognized when the right to receive payments is established.

**Gain or loss on sale of investment**

Gain or loss on the disposal or maturity of investments, is determined by comparing sale proceeds with the carrying amount of the investment. The amount is recognized in profit or loss for the year.

When investment securities are disposed of the related accumulated unrealised gains or losses included in the fair value reserve are recognized by recycling those gains or losses through other comprehensive income.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(i) **Current and deferred income taxes**

Taxation expense in profit or loss comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

(j) **Property plant and equipment**

Items of property, plant and equipment are initially recorded at historical or deemed cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the capital reserve except to the extent that any decrease in value in excess of the credit balance on the capital reserve, or reversal of such a transaction, is recognised in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(j) **Property plant and equipment (cont'd)**

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

| | |
|---|---|
| Buildings | 40 years |
| Office furniture, machines and equipment | 10 years |
| Computer equipment | 2 - 10 years |
| Motor vehicles | 3 -5 years |

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

(k) **Receivables**

Receivables are carried at anticipated realizable value less provision for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

(l) **Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralized financing transactions.

The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the repurchase agreements using the effective yield method.

Securities purchased under agreements to resell and sold under agreements to repurchase are carried on the statement of financial position at amortised cost.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(m) **Short term loans**

Loan note payable are recognized initially at the proceeds received net of transaction costs incurred. Short term loans are subsequently measured at amortised cost.

(n) **Payables**

Payables are initially recognized at fair value and are subsequently measured at amortised cost.

(o) **Fiduciary activities**

The group commonly acts as a trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts and other institutions. These assets and income arising thereon are excluded from these financial statements as they are not assets of the group.

(p) **Employee benefits**

**Defined contribution plans**

The group maintains a pension plan for its eligible employees and agents. The pension plan is a defined contribution plan, the assets of which are held in a separate trustee administered fund. The plan is generally funded by basic employee contributions of 5% of pensionable salary and voluntary contributions up to a maximum of an additional 5%. This is matched by the group, once the group's contributions have been paid the group has no further payment obligations. The group contributions to the plan are charged to profit or loss in the year to which they relate.

**Other**

Other employee benefits that are expected to be settled wholly within 12 months after the end of the reporting period are presented as current liabilities.

Other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(q) **Intangible assets**

Intangible assets which represents computer software are deemed to have a finite useful life of three years and are measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

(r) **Related party balances and transactions**

Parties are considered to be related if directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the entity (this includes parents, subsidiaries and fellow subsidiaries) has significant influence over the entity or has joint control over the entity. Related party balance and transactions are disclosed for the following:

(i) Enterprise and individuals owning, directly or indirectly, an interest in voting power of the group and /or having significant influence over the Group's affairs and close members of the family of these individuals.

(ii) Key management personnel, that is those persons having authority and responsibility for planning directing and controlling the activities of the group, including directors, officers and close members of the families of these individuals.

(s) **Impairment of non-current assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which, there are separately identified cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(t) **Investment property**

Investment property, comprising principally land and building, is held for rental yields and capital appreciation and is treated as long term investments. It is measured initially at cost, including related transaction costs and subsequently measured at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(t) **Investment property (cont'd)**

The fair value reflects, on a similar basis, expected cash outflows in respect of the property. Fair value is determined every two years by an independent registered valuer. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognized in profit or loss.

(u) **Dividend distribution**

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

Judgement and estimates are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(a) **Critical judgement in applying the Group's accounting policies**

In the process of applying the group's accounting policies, management has made the following judgement that could cause a significant impact on the amounts recognized in the financial statements.

**Determination of whether or not Barita Unit Trust Management Company Limited and the Group act as principal or agent in the management of various unit trusts.**

IFRS 10, Consolidated Financial Statements, which was adopted by the group on 1 October 2016, resulted in the group assessing its relationship (to determine whether it acts as principal or agent) with the various unit trusts which it manages. Consistent with the application guidance of IFRS 10, the group considered the following criteria in making determination.

(i) The scope of the fund manager's authority;
(ii) The rights of others in management of the fund in particular the right to unilaterally remove the fund manager, without cause;
(iii) The group's remuneration and exposure to variability of returns, in relation to its holdings in the various unit trusts; and
(iv) The group's ability to use its power to affect the returns made by the units trusts.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(a) **Critical judgement in applying the Group's accounting policies (cont'd)**

The group considered that all criteria had to be substantively met in order for the group to be considered a principal, thereby requiring consolidation of the unit trusts.

The group concluded that criteria (i) and (iv) above were met.

In assessing criterion (ii), the group concluded that Trustees of the unit trusts, Jamaica Central Securities Depository Trustee Services Limited (JCSDTS) under the Trust Deeds, had sufficient rights to remove them as fund managers. In assessing criterion (iii), the group also concluded that its remuneration for its services were consistent in nature and amount, for services of that nature and that, based on its holdings in the various unit trusts, the group was not exposed to variability of returns, as envisaged by the standard.

Based on the conclusions arrived at in the previous paragraph, the group concluded that it was acting in the capacity of an agent for unit trusts and therefore also concluded that the unit trusts should not be consolidated in financial statements of the Group, or Barita Unit Trusts Management Company Limited, standing alone.

(b) **Key sources of estimation uncertainty**

The group makes certain estimates and assumptions regarding the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts assets and liabilities within the next financial year are discussed below:

(i) **Fair value estimation**

A number of assets and liabilities included in the group's financial statements require measurement at, and/or disclosure of, fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of the group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are; the 'fair value hierarchy:

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(b) **Key sources of estimation uncertainty (cont'd)**

(i) **Fair value estimation (cont'd)**

Level 1 Quoted prices in active markets for identical assets or liabilities. (unadjusted)

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fair value of financial instruments traded in active markets, such as investments fair value either through OCI or through profit or loss, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange.

The fair values of financial instruments that are not traded in an active market are deemed to be/determined as follows:

The carrying values less any impairment provision of financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values due to the short term maturity of these instruments. These financial assets and liabilities are cash and cash equivalents, trade receivables, trade payables, related company balances and unquoted investments.

(ii) **Income taxes**

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognizes assets and liabilities for possible tax issues based on estimates of whether additional taxes will become recoverable or will become due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(b) **Key sources of estimation uncertainty (cont'd)**

(iii) **Expected maturity dates for financial assets and liabilities**

In disclosing its financial risk management, and considering its management of liquidity risk, the group discloses the expected maturity of its financial assets and financial liabilities. It is management's experience that the contractual maturity of these assets and liabilities differ from the liquidation of these assets and liabilities, which makes the disclosure of expected maturity more meaningful to the users of the financial statements. The actual liquidation of the assets and liabilities may differ from management's estimates.

(iv) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The group applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(v) **Measurement of the expected credit loss allowance**

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers and debt issuers defaulting and the resulting losses). Significant judgement is also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

5. **FINANCIAL RISK MANAGEMENT:**

The group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on group's financial performance.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANGEMENT (CONT'D):**

The group's risk management policies are designed to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Foreign exchange risk
- Fair value or cash flow interest rate risk and
- Other market price

The Board of Directors is ultimately responsible for the establishment and oversight of the group's risk management framework. The Board, through the Asset and Liability Management Committee, Treasury Department, Audit Committee and Risk Manager, manages and monitors risks as follows:

(i) **Asset and Liability Management Committee**

This committee is responsible for monitoring the profile of the group's assets and liabilities. This includes monitoring policies and procedures that are established to ensure that there is sufficient liquidity and that interest rate risk, currency risk and capital adequacy is also monitored.

(ii) **Treasury Department**

This department is responsible for monitoring the profile of the group's assets and liabilities. It is also primarily responsible for managing the funding and liquidity risks of the group. It manages these risks by monitoring the statement of financial position and ensuring that business strategies are consistent with liquidity requirements measuring the capital adequacy for regulatory and business requirements and monitoring the composition of the assets and liabilities of the group.

(iii) **Audit Committee**

The Audit Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The Audit Committee is assisted in its oversight role by internal Audit, which is outsourced. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANGEMENT (CONT'D):**

(iv) **Risk Manager**

The Risk manager inspects the group's operations by reviewing new ventures and projects, new lines of business, and new and existing products for risk exposure. The Risk Manager also ensures compliance with regulations and policies. Periodic reports are prepared by the Risk Manager and presented to senior management and the Board of Directors.

The most important types of financial risk faced by the group are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

(a) **Credit risk**

The group takes on exposure to credit risk, which is the risk that its clients or counterparties will cause a financial loss for the group by failing to discharge their contractual obligations. Credit risk is a significant risk for the group business; management therefore carefully manages its exposure to credit risk. Credit exposure arise principally in lending and investment activities. The group structures the levels of credit risk it undertakes as documented below. The group's and the company's maximum exposure to credit risk equals the carrying amounts on the statements of financial position, for the financial assets which expose the group and company to credit risk.

The overall objective of the group is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility.

Concentration of credit risk

There is no significant concentration of credit risk in the area of loans issued by the group. In addition to assessment of earnings and cash flows, management obtains collateral in the form of hypothecated securities sold under repurchase agreement, or units held in any of the trusts managed by BUTM. The group seeks to ensure that the value of hypothecated securities exceeds the loan amount.

Exposure to credit risk is managed through regular analysis of the ability of the customers and other counter-parties to meet repayment obligations. These are monitored regularly to ensure payments are received in accordance with the agreed terms.

The group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk and not a longer period, even if contract extension or renewal is common practice.

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

5. **FINANCIAL RISK MANGEMENT (CONT'D):**

(a) **Credit risk (cont'd)**

Concentration of credit risk

The gross carrying amount of financial assets below also represents the group's maximum exposure to credit risk on these assets.

The following tables contains an analysis of the credit risk exposure of financial instruments for which it was concluded that an ECL allowance is required. The gross carrying amount of financial assets below also represents the group's maximum exposure to credit risk on these assets and are due within five year.

Loans receivables:

| | The Group and the Company | |
|---|---|---|
| | 2020 | 2019 |
| | $'000 | $'000 |
| Aging of loans receivables: | | |
| Current | 1,722,798 | 751,846 |
| Loss impairment | ( 5,569) | - |
| | 1,717,229 | 751,846 |

Investment and cash

The group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality, and Government of Jamaica and Bank of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations. The concentration of credit risk associated with the group's investments portfolio is shown below, under the heading, debt securities concentration.

**Collateral and other credit enhancements**

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral are as follows:

(i) For loans receivables – investment securities and properties
(ii) For securities purchased under resale agreements – GOJ or BOJ investment securities

5. **FINANCIAL RISK MANGEMENT (CONT'D):**

(a) **Credit risk (cont'd)**

**Concentration of credit risk (cont'd)**

**Collateral and other credit enhancements (cont'd)**

Management monitors the market value of collateral held and requests additional collateral in accordance with the underlying agreements when additional collateral is required.

**Impairment**

**Significant increase in credit risk**

- Qualitative assessment – credit ratings are associated with ranges of default probabilities based on historical information. Rating outlooks, which are inherently forward-looking, are used to determine the probability of default to be applied to a specific security within its respective range. Issuer-specific default risk estimates incorporate forward-looking information directly. In calculating the probability of default, the group uses credit ratings along with rating outlooks from recognized rating agencies, as well as issuer-specific default risk estimates where available and appropriate. The ratings and risk estimates are mapped to an internal credit risk grading model in order to standardize across different rating systems and to clearly demarcate significant increase in credit risk over time.

  A qualitative assessment is done at initial recognition and subsequently at each statement of financial position date and where it is determined that there is a significant increase in the probability of default the security is categories as stage 2 for the purpose of calculating the ECL. If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

- Quantitative assessment – Investment securities are considered to have experienced a significant increase in credit risk if it is more than 30 days past due on its contractual payments.

5. **FINANCIAL RISK MANGEMENT (CONT'D):**

(a) **Credit risk (cont'd)**

**Impairment (cont'd)**

**Expected credit loss measurement**

IFRS 9 outlined a 'three stage' model for impairment based on changes in the credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impairment financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The group assesses on a forward-looking basis the ECL associated with debt investments. The ECL recognized by the group reflects an unbiased and probability weighted amounts that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost at the reporting date. The ECL is the product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

The PD presents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.

5. **FINANCIAL RISK MANGEMENT (CONT'D):**

(a) **Credit risk (cont'd)**

**Impairment (cont'd)**

**Expected credit loss measurement (cont'd)**

EAD is based on the amounts the group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

LGD represents the group's expectation of the extent of loss on a defaulted exposure. LGD is calculated on a 12 month or a lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is a percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

All of the group's debt investments at amortised cost and FVOCI are considered to have low credit risk and the loss allowance recognized during the period was therefore limited to 12 months expected losses. Management considers 'low credit risk' for bonds to be those with an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowance for debt investments at FVOCI is recognized in profit or loss and reduces the fair value loss otherwise recognized in OCI.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Opening loss allowance as at 1 October 2019 calculated under IFRS 9 | 287,268 | 164,198 | 272,095 | 164,653 |
| Increase in loss allowance recognized in the income statement during the year | 27,868 | 123,070 | 35,305 | 107,442 |
| Loss allowance utilized during the year | ( 21,529) | - | ( 14,666) | - |
| | 293,607 | 287,268 | 292,734 | 272,095 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMNT (CONT'D):**

(a) **Credit risk (cont'd)**

**Impairment (cont'd)**

**Debt securities concentration**

The following table summarises the group's and company's credit exposure for debt securities at their carrying amounts, as categorized by issuer:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Government of Jamaica and Bank of Jamaica | 20,517,105 | 15,474,749 | 20,517,105 | 15,474,749 |
| Financial Institutions | 19,170,537 | 14,393,673 | 19,170,537 | 14,393,673 |
| Corporate and other bonds | 15,319,656 | 3,700,330 | 15,211,791 | 3,623,800 |
| | 55,007,298 | 33,568,752 | 54,899,433 | 33,492,222 |
| Accrued interest | 516,373 | 219,681 | 514,127 | 219,370 |
| | 55,523,671 | 33,788,433 | 55,413,560 | 33,711,592 |

(b) **Liquidity risk**

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due and is also unable to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay investors and fulfil commitments to lend.

**Liquidity risk management process**

The group's liquidity management process, as carried out within the group and monitored by the Treasury Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of collateral which could be used to secure funding if required.

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquated as protection against any unforeseen interruption to cash flow.

5. **FINANCIAL RISK MANAGEMNT (CONT'D):**

(b) **Liquidity risk (cont'd)**

**Liquidity risk management process (cont'd)**

The group's liquidity management process, as carried out within the group and monitored by the Treasury Department, includes (cont'd)

(iii) Maintaining committed lines of credit
(iv) Optimising cash returns on investments
(v) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements
(vi) Managing the concentration and profile of debt maturities

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates and exchange rates.

**Financial assets and liabilities cash flows**

The tables below present the undiscounted cash flows (both interest and principal cash flows) of the group's and company's financial liabilities based on contractual rights and obligations as well as expected maturity and also shows the undiscounted cash flows of the group's and company's financial assets based on expected maturity. The group and company expect that many customers will not request repayment on the earliest date the group and company could be required to pay.

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

5. **FINANCIAL RISK MANAGEMNT (CONT'D):**

(b) **Liquidity risk (cont'd)**

**Financial assets and liabilities cash flows (cont'd)**

**The Group**

| | **2020** | | | | | |
|---|---|---|---|---|---|---|
| | **Within 1 Month $'000** | **Within 3 Months $'000** | **3 to 12 Months $'000** | **1 to 5 Years $'000** | **Over 5 years $'000** | **Total $'000** |
| **Based on contractual maturity** | | | | | | |
| Bank overdraft | 8,720 | - | - | - | - | 8,720 |
| Due to related party | 273,744 | - | - | - | - | 273,744 |
| Securities sold under repurchase agreements | 14,131,290 | 14,824,811 | 5,631,980 | 23,312 | - | 34,611,393 |
| Short term loans | 611,947 | - | - | - | - | 611,947 |
| Payables | 6,970,314 | - | - | - | - | 6,970,314 |
| Lease liability | 1,528 | 3,084 | 17,575 | 114,698 | 145,413 | 282,298 |
| **Total financial liabilities** | 21,997,543 | 14,827,895 | 5,649,555 | 138,010 | 145,413 | 42,758,416 |
| **Based on expected maturity -** | | | | | | |
| **Total financial liabilities** | 14,743,237 | 14,824,811 | 5,631,980 | 23,312 | - | 35,223,340 |
| **Total financial assets** | 11,074,926 | 8,821,101 | 3,630,490 | 20,445,175 | 32,309,129 | 76,280,821 |

| | **2019** | | | | | |
|---|---|---|---|---|---|---|
| | **Within 1 Month $'000** | **Within 3 Months $'000** | **3 to 12 Months $'000** | **1 to 5 Years $'000** | **Over 5 years $'000** | **Total $'000** |
| **Based on contractual maturity** | | | | | | |
| Bank overdraft | 71,819 | - | - | - | - | 71,819 |
| Due to related party | 77,711 | - | - | - | - | 77,711 |
| Securities sold under repurchase agreements | 11,965,068 | 9,279,438 | 4,080,814 | - | - | 25,325,320 |
| Payables | 1,739,686 | - | - | - | - | 1,739,686 |
| **Total financial liabilities** | 13,854,284 | 9,279,438 | 4,080,814 | - | - | 27,214,536 |
| **Based on expected maturity -** | | | | | | |
| **Total financial liabilities** | 11,965,068 | 9,279,438 | 4,080,814 | - | - | 25,325,320 |
| **Total financial assets** | 11,243,486 | 2,998,846 | 1,393,212 | 40,504,935 | 11,896,987 | 68,037,466 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(b) **Liquidity risk (cont'd)**

**Financial assets and liabilities cash flows (cont'd)**

**The Company**

**2020**

| | Within 1 Month $'000 | Within 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Based on contractual maturity** | | | | | | |
| Bank overdraft | 8,720 | - | - | - | - | 8,720 |
| Due to related party | 397,308 | - | - | - | - | 397,308 |
| Securities sold under repurchase agreements | 14,188,010 | 14,862,187 | 5,631,980 | 23,312 | - | 34,705,489 |
| Short term loans | 611,947 | - | - | - | - | 611,947 |
| Payables | 7,120,704 | - | - | - | - | 7,120,704 |
| Lease liability | 1,528 | 3,084 | 17,575 | 114,698 | 145,413 | 282,298 |
| **Total financial liabilities** | 22,328,217 | 14,865,271 | 5,649,555 | 138,010 | 145,413 | 43,126,466 |
| **Based on expected maturity -** | | | | | | |
| **Total financial liabilities** | 14,799,957 | 14,862,187 | 5,631,980 | 23,312 | - | 35,317,436 |
| **Total financial assets** | 11,074,926 | 8,821,101 | 3,630,490 | 20,445,175 | 32,309,129 | 76,280,821 |

**2019**

| | Within 1 Month $'000 | Within 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Based on contractual maturity** | | | | | | |
| Bank overdraft | 71,819 | - | - | - | - | 71,819 |
| Due to related party | 17,572 | - | - | - | - | 17,572 |
| Securities sold under repurchase agreements | 11,960,045 | 9,246,561 | 3,031,171 | - | - | 24,237,777 |
| Payables | 1,674,653 | - | - | - | - | 1,674,653 |
| **Total financial liabilities** | 13,724,089 | 9,246,561 | 3,031,171 | - | - | 26,001,821 |
| **Based on expected maturity -** | | | | | | |
| **Total financial liabilities** | 11,960,045 | 9,246,561 | 3,031,171 | - | - | 24,237,777 |
| **Total financial assets** | 11,243,486 | 2,998,846 | 1,393,212 | 40,504,935 | 11,896,987 | 68,037,466 |

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(b) **Liquidity risk (cont'd)**

**Financial assets and liabilities cash flows (cont'd)**

Assets available to meet all of the liabilities include cash, securities purchased under resale agreements and marketable securities. The group and company are also able to meet unexpected net cash outflows by selling securities.

The carrying amount for securities sold under repurchase agreement due within twelve months equals $34,611,393,000 (2019 - $25,325,320,000) for the group and $34,705,489,000 (2019 -$24,237,777,000) for the company.

(c) **Market risk**

The group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Risk Manager in conjunction with the Treasury manager, who carries out extensive research and monitors the price movement of financial assets on local and international markets. Generally, the group has a low to medium risk profile and invests primarily in Government of Jamaica securities. Market risk exposures are measured using sensitivity analysis.

(i) **Currency risk**

The group incurs foreign currency risk on transactions that are denominated in a currency other than Jamaican dollar.

The group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

The main currencies giving rise to this risk are the Canadian dollar, United States dollar and British pound. The group sets limits on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily.

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

## 5. FINANCIAL RISK MANAGEMENT (CONT'D):

### (c) Market risk (cont'd)

#### (i) Currency risk (cont'd)

| | The Group | | | | |
|---|---|---|---|---|---|
| | CAD J$'000 | US$ J$'000 | GBP J$'000 | Jamaican J$'000 | Total J$'000 |
| | | | 2020 | | |
| **Financial Assets** | | | | | |
| Cash and bank balances | 834 | 2,558,498 | 3,642 | 2,714,634 | 5,277,608 |
| Securities purchased under resale agreements | - | 1,520,926 | - | 6,518,677 | 8,039,603 |
| Marketable securities and pledged assets | - | 15,505,750 | 39,729 | 33,819,344 | 49,364,823 |
| Receivables | - | 1,023,605 | - | 1,962,803 | 2,986,408 |
| Loans receivables | - | - | - | 1,717,229 | 1,717,229 |
| Due from related parties | - | - | - | 1,979,035 | 1,979,035 |
| **Total financial assets** | 834 | 20,608,779 | 43,371 | 48,711,722 | 69,364,706 |
| **Financial Liabilities** | | | | | |
| Bank overdraft | - | - | - | 8,720 | 8,720 |
| Securities sold under repurchase agreement | - | 11,419,021 | - | 23,027,598 | 34,446,619 |
| Short term loans | - | 30,847 | - | 581,100 | 611,947 |
| Payables | - | 635,435 | - | 6,334,879 | 6,970,314 |
| Due to related parties | - | 115,548 | - | 158,196 | 273,744 |
| Lease liability | - | 71,421 | - | 210,877 | 282,298 |
| Total financial liabilities | - | 12,272,272 | - | 30,321,370 | 42,593,642 |
| **Net financial position** | 834 | 8,336,507 | 43,371 | 18,390,352 | 26,771,064 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(i) **Currency risk (cont'd)**

| | The Group | | | | |
|---|---|---|---|---|---|
| | CAD J$'000 | US$ J$'000 | GBP J$'000 | Jamaican$ J$'000 | Total J$'000 |
| | | | 2019 | | |
| **Financial Assets** | | | | | |
| Cash and bank balances | 2,778 | 468,987 | 5,331 | 310,824 | 787,920 |
| Securities purchased under resale agreements | - | 3,130,683 | - | 11,548,291 | 14,678,974 |
| Marketable securities and pledged assets | - | 5,951,955 | 80,754 | 15,938,298 | 21,971,007 |
| Receivables | - | - | - | 748,517 | 748,517 |
| Loans receivables | - | - | - | 751,846 | 751,846 |
| Due from related parties | - | - | - | 1,624,584 | 1,624,584 |
| **Total financial assets** | 2,778 | 9,551,625 | 86,085 | 30,922,360 | 40,562,848 |
| **Financial Liabilities** | | | | | |
| Bank overdraft | - | 53,309 | - | 18,510 | 71,819 |
| Securities sold under repurchase agreement | - | 6,895,492 | 71,162 | 17,126,156 | 24,092,810 |
| Payables | - | - | - | 1,739,686 | 1,739,686 |
| Due to related parties | - | - | - | 77,711 | 77,711 |
| Total financial liabilities | - | 6,948,801 | 71,162 | 18,962,063 | 25,982,026 |
| **Net financial position** | 2,778 | 2,602,824 | 14,923 | 11,960,297 | 14,580,822 |

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(i) **Currency risk (cont'd)**

| | The Company | | | | |
|---|---|---|---|---|---|
| | CAD J$'000 | US$ J$'000 | GBP J$'000 | Jamaican J$'000 | Total J$'000 |
| | 2020 | | | | |
| **Financial Assets** | | | | | |
| Cash and bank balances | 834 | 2,481,762 | 3,642 | 2,692,775 | 5,179,013 |
| Securities purchased under resale agreements | - | 1,520,926 | - | 6,518,677 | 8,039,603 |
| Marketable securities and pledged assets | - | 15,373,922 | 39,729 | 33,771,803 | 49,185,454 |
| Receivables | - | 1,023,605 | - | 1,945,882 | 2,969,487 |
| Loans receivables | - | - | - | 1,717,229 | 1,717,229 |
| Due from related parties | - | - | - | 1,729,171 | 1,729,171 |
| **Total financial assets** | 834 | 20,400,215 | 43,371 | 48,375,537 | 68,819,957 |
| **Financial Liabilities** | | | | | |
| Bank overdraft | - | - | - | 8,720 | 8,720 |
| Securities sold under repurchase agreement | - | 11,513,117 | - | 23,027,863 | 34,540,980 |
| Short term loans | - | 30,847 | - | 581,100 | 611,947 |
| Payables | - | 635,435 | - | 6,485,269 | 7,120,704 |
| Due to related parties | - | - | - | 397,308 | 397,308 |
| Lease liability | - | 71,421 | - | 210,877 | 282,298 |
| Total financial liabilities | - | 12,250,820 | - | 30,711,137 | 42,961,957 |
| **Net financial position** | 834 | 8,149,395 | 43,371 | 17,664,400 | 28,858,000 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(i) **Currency risk (cont'd)**

| | The Company | | | | |
|---|---|---|---|---|---|
| | CAD J$'000 | US$ J$'000 | GBP J$'000 | Jamaican J$'000 | Total J$'000 |
| | | | 2019 | | |
| **Financial Assets** | | | | | |
| Cash and bank balances | 2,778 | 366,168 | 5,331 | 278,277 | 652,554 |
| Securities purchased under resale agreements | - | 3,130,683 | - | 11,548,291 | 14,678,974 |
| Marketable securities and pledged assets | - | 5,785,298 | 80,754 | 15,611,120 | 21,477,172 |
| Receivables | - | - | - | 734,215 | 734,215 |
| Loans receivables | - | - | - | 751,846 | 751,846 |
| Due from related parties | - | - | - | 1,546,670 | 1,546,670 |
| **Total financial assets** | 2,778 | 9,282,149 | 86,085 | 30,470,419 | 39,841,431 |
| **Financial Liabilities** | | | | | |
| Bank overdraft | - | 53,309 | - | 18,510 | 71,819 |
| Securities sold under repurchase agreement | - | 6,895,492 | 71,162 | 17,136,940 | 24,103,594 |
| Payables | - | - | - | 1,674,653 | 1,674,653 |
| Due to related parties | - | - | - | 17,572 | 17,572 |
| Total financial liabilities | - | 6,948,801 | 71,162 | 18,847,675 | 25,867,638 |
| **Net financial position** | 2,778 | 2,333,348 | 14,923 | 11,622,744 | 13,973,793 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(i) **Currency risk (cont'd)**

**Foreign currency sensitivity**

The following indicate the currencies to which the group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rate below represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 6% devaluation and 2% revaluation in the value of the Jamaican dollar (JMD) (2019 – 6% devaluation and 4% revaluation). The sensitivity analysis includes cash and bank balances, securities purchased under resale agreements, marketable securities and securities sold under repurchase agreements.

| | The Group and Company | | | | | |
|---|---|---|---|---|---|---|
| Currency | % Change In Currency Rate 2020 | Effect on Profit before Tax 2020 $'000 | Effect on other components of Equity 2020 $'000 | % Change in Currency Rate 2019 | Effect on Profit before Tax 2019 $'000 | Effect on Other components of Equity 2019 $'000 |
| CAD (devaluation of JMD) | 6 | 50 | - | 6 | 167 | - |
| CAD (revaluation of JMD | 2 | ( 17) | - | 4 | ( 111) | - |
| USD (devaluation of JMD) | 6 | 500,190 | 3,289,511 | 6 | 151,967 | 874,300 |
| USD (revaluation of JMD) | 2 | (166,730) | (1,096,504) | 4 | (101,311) | (437,150) |
| GBP (devaluation of JMD) | 6 | 2,602 | - | 6 | 895 | - |
| GBP (revaluation of JMD) | 2 | ( 867) | - | 4 | ( 597) | - |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(ii) **Interest rate risk**

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the group to cash flow interest risk, whereas fixed interest rate instruments expose the group to fair value interest risk.

The group's interest rate policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires the group to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. The Board sets limits on the level of mismatch of interest rate re-opening that may be unknown, which is monitored daily by the Treasury Department.

The following tables summarized the group's and company's exposure to interest rate risk. It includes financial instrument at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(ii) **Interest rate risk (cont'd)**

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | | | | | | |
| | **Immediately rate sensitive $'000** | **Within 3 Months $'000** | **3 to 12 Months $'000** | **1 to 5 Years $'000** | **Over 5 Years $'000** | **Non-rate sensitive $'000** | **Total $'000** |
| **Financial Assets** | | | | | | | |
| Cash and bank balances | 5,277,608 | - | - | - | - | - | 5,277,608 |
| Securities purchased under resale agreements | 5,233,378 | 2,319,903 | 486,322 | - | - | - | 8,039,603 |
| Marketable securities and pledged assets | 5,361,307 | 8,294,699 | 2,823,870 | 15,107,384 | 17,777,563 | - | 49,364,823 |
| Receivables | - | - | - | - | - | 2,986,408 | 2,986,408 |
| Loan receivables | 1,717,229 | - | - | - | - | - | 1,717,229 |
| Due from related parties | - | - | - | - | - | 1,979,035 | 1,979,035 |
| **Total financial assets** | 17,589,522 | 10,614,602 | 3,310,192 | 15,107,384 | 17,777,563 | 4,965,443 | 69,364,706 |
| **Financial Liabilities** | | | | | | | |
| Bank overdraft | 8,720 | - | - | - | - | - | 8,720 |
| Securities sold under repurchase agreements | 14,118,597 | 14,756,221 | 5,549,291 | 22,510 | - | - | 34,446,619 |
| Short term loans | 611,947 | - | - | - | - | - | 611,947 |
| Payables | - | - | - | - | - | 6,970,314 | 6,970,314 |
| Due to related parties | - | - | - | - | - | 273,744 | 273,744 |
| Lease laibility | 1,528 | 3,084 | 17,575 | 114,698 | 145,413 | - | 282,298 |
| **Total financial liabilities** | 14,740,792 | 14,759,305 | 5,566,866 | 137,208 | 145,413 | 7,244,058 | 42,593,642 |
| Total interest repricing gap | 2,848,730 | ( 4,144,703) | ( 2,256,674) | 14,970,176 | 17,632,150 | ( 2,278,615) | 26,771,064 |
| **Cumulative gap** | 2,848,730 | ( 1,295,973) | ( 3,552,647) | 11,417,529 | 29,049,679 | 26,771,064 | - |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(ii) **Interest rate risk (cont'd)**

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2019 | | | | | | |
| | Immediately rate sensitive $'000 | Within 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non-rate sensitive $'000 | Total $'000 |
| **Financial Assets** | | | | | | | |
| Cash and bank balances | 787,920 | - | - | - | - | - | 787,920 |
| Securities purchased under resale agreements | 11,230,646 | 2,975,849 | 405,000 | 67,479 | - | - | 14,678,974 |
| Marketable securities and pledged assets | - | 295,795 | 994,531 | 12,858,876 | 7,686,644 | 135,161 | 21,971,007 |
| Receivables | - | - | - | - | - | 748,517 | 748,517 |
| Loan receivables | 751,846 | - | - | - | - | - | 751,846 |
| Due from related parties | - | - | - | - | - | 1,624,584 | 1,624,584 |
| **Total financial assets** | 12,770,412 | 3,271,644 | 1,399,531 | 12,926,355 | 7,686,644 | 2,508,262 | 40,562,848 |
| **Financial Liabilities** | | | | | | | |
| Bank overdraft | 71,819 | - | - | - | - | - | 71,819 |
| Securities sold under repurchase agreements | 11,884,974 | 9,202,900 | 1,981,528 | 1,023,408 | - | - | 24,092,810 |
| Payables | - | - | - | - | - | 1,739,686 | 1,739,686 |
| Due to related parties | - | - | - | - | - | 77,711 | 77,711 |
| **Total financial liabilities** | 11,956,793 | 9,202,900 | 1,981,528 | 1,023,408 | - | 1,817,397 | 25,982,026 |
| Total interest repricing gap | 813,619 | (5,931,256) | ( 581,997) | 11,902,947 | 7,686,644 | 690,865 | 14,580,822 |
| **Cumulative gap** | 813,619 | (5,117,637) | (5,669,634) | 6,203,313 | 13,889,957 | 14,580,822 | - |

## BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(ii) **Interest rate risk (cont'd)**

| | The Company 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Immediately rate sensitive $'000** | **Within 3 Months $'000** | **3 to 12 Months $'000** | **1 to 5 Years $'000** | **Over 5 Years $'000** | **Non-rate sensitive $'000** | **Total $'000** |
| **Financial Assets** | | | | | | | |
| Cash and bank balances | 5,179,013 | - | - | - | - | - | 5,179,013 |
| Securities purchased under resale agreements | 5,233,378 | 2,319,903 | 486,322 | - | - | - | 8,039,603 |
| Marketable securities and pledged assets | 5,361,307 | 8,294,699 | 2,823,870 | 15,029,765 | 17,675,813 | - | 49,185,454 |
| Receivables | - | - | - | - | - | 2,969,487 | 2,969,487 |
| Loan receivables | 1,717,229 | - | - | - | - | - | 1,717,229 |
| Due from related parties | - | - | - | - | - | 1,729,171 | 1,729,171 |
| **Total financial assets** | 17,490,927 | 10,614,602 | 3,310,192 | 15,029,765 | 17,675,813 | 4,698,658 | 68,819,957 |
| **Financial Liabilities** | | | | | | | |
| Bank overdraft | 8,720 | - | - | - | - | - | 8,720 |
| Securities sold under Repurchase agreements | 14,175,582 | 14,793,597 | 5,549,291 | 22,510 | - | - | 34,540,980 |
| Short term loans | 611,947 | - | - | - | - | - | 611,947 |
| Payables | - | - | - | - | - | 7,120,704 | 7,120,704 |
| Due to related parties | - | - | - | - | - | 397,308 | 397,308 |
| Lease liability | 1,528 | 3,084 | 17,575 | 114,698 | 145,413 | - | 282,298 |
| **Total financial liabilities** | 14,797,777 | 14,796,681 | 5,566,866 | 137,208 | 145,413 | 7,518,012 | 42,961,957 |
| Total interest repricing gap | 2,693,150 | ( 4,182,079) | (2,256,674) | 14,892,557 | 17,530,400 | ( 2,819,354) | 25,858,000 |
| **Cumulative gap** | 2,693,150 | ( 1,488,929) | (3,745,603) | 11,146,954 | 28,677,354 | 25,858,000 | - |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(ii) **Interest rate risk (cont'd)**

| | The Company 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Immediately rate sensitive $'000 | Within 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non-rate sensitive $'000 | Total $'000 |
| **Financial Assets** | | | | | | | |
| Cash and bank balances | 652,554 | - | - | - | - | - | 652,554 |
| Securities purchased under resale agreements | 11,230,646 | 2,975,849 | 405,000 | 67,479 | - | - | 14,678,974 |
| Marketable securities and pledged assets | - | 7,883 | 942,723 | 13,034,085 | 7,492,481 | - | 21,477,172 |
| Receivables | - | - | - | - | - | 734,215 | 734,215 |
| Loan receivables | 751,846 | - | - | - | - | - | 751,846 |
| Due from related parties | - | - | - | - | - | 1,546,670 | 1,546,670 |
| **Total financial assets** | 12,635,046 | 2,983,732 | 1,347,723 | 13,101,564 | 7,492,481 | 2,280,885 | 39,841,431 |
| **Financial Liabilities** | | | | | | | |
| Bank overdraft | 71,819 | - | - | - | - | - | 71,819 |
| Securities sold under repurchase agreements | 11,884,974 | 9,213,684 | 1,981,528 | 1,023,408 | - | - | 24,103,594 |
| Payables | - | - | - | - | - | 1,674,653 | 1,674,653 |
| Due to related parties | - | - | - | - | - | 17,572 | 17,572 |
| **Total financial liabilities** | 11,956,793 | 9,213,684 | 1,981,528 | 1,023,408 | - | 1,692,225 | 25,867,638 |
| Total interest repricing gap | 678,253 | (6,229,952) | ( 633,805) | 12,078,156 | 7,492,481 | 588,660 | 13,973,793 |
| **Cumulative gap** | 678,253 | (5,551,699) | (6,185,504) | 5,892,652 | 13,385,133 | 13,973,793 | - |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(ii) **Interest rate risk (cont'd)**

Average effective yields by the earlier of the contractual repricing or maturity dates:

| | The Group and Company | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | | | |
| | Immediately rate sensitive | Within 3 Months | 3 to 12 Months | 1 to 5 Years | Over 5 Years | Average |
| | % | % | % | % | % | % |
| Marketable securities denominated in JA$ | - | 2.11 | 3.99 | 5.91 | 8.11 | 5.03 |
| Marketable securities denominated in US$ | - | - | 9.59 | 3.31 | 8.00 | 6.10 |
| Marketable securities denominated in GBP | - | - | - | 10.00 | 5.75 | 7.88 |
| Securities purchased under resale agreements-denominated in JA$ | - | 1.67 | 2.99 | - | - | 2.33 |
| Securities purchased under resale agreements-denominated in US$ | - | 2.37 | - | - | - | 2.37 |
| Securities sold under resale agreements-denominated in JA$ | - | 2.33 | 2.92 | 3.00 | - | 2.75 |
| Securities sold under resale agreements-denominated in US$ | - | 2.53 | 2.97 | 1.80 | - | 2.43 |
| Securities sold under resale agreements-denominated in GBP | - | - | - | - | - | 0.50 |
| Loan note denominated in US$ | - | 2.00 | - | - | - | 2.00 |
| Loan note denominated in JA$ | - | 2.00 | - | - | - | 2.00 |

Yields are based on book value and contractual interest rate adjusted for amortization of premium and discounts.

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(ii) **Interest rate risk (cont'd)**

Average effective yields by the earlier of the contractual repricing or maturity dates:

| | The Group and Company | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | | | |
| | Immediately rate sensitive | Within 3 Months | 3 to 12 Months | 1 to 5 Years | Over 5 Years | Average |
| | % | % | % | % | % | % |
| Marketable securities denominated in JA$ | - | 2.00 | 3.00 | 6.00 | 10.00 | 5.25 |
| Marketable securities denominated in US$ | - | - | 5.00 | 6.00 | 8.00 | 6.33 |
| Marketable securities denominated in GBP | - | - | - | 10.00 | 5.75 | 7.88 |
| Securities purchased under resale agreements-denominated in JA$ | - | 2.53 | 3.29 | - | - | 2.30 |
| Securities purchased under resale agreements-denominated in US$ | - | 2.57 | - | 2.50 | - | 2.30 |
| Securities sold under resale agreements-denominated in JA$ | - | 2.13 | 2.68 | - | - | 2.00 |
| Securities sold under resale agreements-denominated in US$ | - | 1.97 | 1.68 | - | - | 1.69 |
| Securities sold under resale agreements-denominated in GBP | - | 0.70 | 0.70 | 0.40 | - | 0.60 |

Yields are based on book value and contractual interest rate adjusted for amortization of premium and discounts.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(ii) **Interest rate risk (cont'd)**

**Interest rate sensitivity**

The following table indicates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant on the group's and company's profit or loss and shareholders' equity.

The sensitivity of the profit or loss for the year is the effect of the assumed changes in interest rates on profit before taxation based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of shareholders' equity is calculated by revaluing fixed rate fair value through OCI and FVPL financial assets for the effects of the assumed changes in interest rates. The change in the interest rates will impact the financial assets and liabilities differently. Consequently, individual analyses were performed. The effect on profit before taxation and other components of equity below is the total of the individual sensitivities done for each of the assets and liabilities.

| | Effect on Profit before Taxation 2020 $'000 | Effect on Other Components of Equity 2020 $'000 | Effect on Profit before Taxation 2019 $'000 | Effect on Other Components of Equity 2019 $'000 |
|---|---|---|---|---|
| | **The Group** | | | |
| **Change in basis points** | | | | |
| -100/-100 (2019: -100/-100) | 26,287 | (127,677) | 119,962 | (23,303) |
| +100/+100 (2019: +100/+100) | (26,287) | 127,677 | (119,962) | 23,303 |
| | **The Company** | | | |
| **Change in basis points** | | | | |
| -100/-100 (2019: -100/-100) | 26,287 | (127,600) | 119,962 | (23,226) |
| +100/+100 (2019: +100/+100) | (26,287) | 127,600 | (119,962) | 23,226 |

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Market risk (cont'd)**

(iii) **Price risk**

Price risk is the risk that the value of financial instrument will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all instruments traded in the market. The group and the company are exposed to equity securities price risk because of certain equity and unit investments which they hold.

The table below summarizes the impact of increases/decreases on the group's and company's net other comprehensive income (before taxation) resulting from a reasonably possible change in market prices. There would be no impact on profit before taxation as the equities are classified as fair value through other comprehensive income. The analysis is based on the assumption that the equity and unit trust prices had increased by 7% and decreased by 12.5% (2019 - 10%).

| | Effect on Other Comprehensive Income before Taxation 2020 $'000 | Effect on Other Comprehensive Income before Taxation 2019 $'000 |
|---|---|---|
| | The Group | |
| Changes in index | | |
| +7% (2019: +10%) | 32,246 | 118,463 |
| -12.5% ( 2019: -10%) | ( 53,744) | (118,463) |
| | The Company | |
| Changes in index | | |
| +7% (2019: +10%) | 27,067 | 76,764 |
| -12.5% (2019: -10%) | ( 45,111) | (76,764) |

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Capital Management**

The group's objectives when managing capital, which is a broader concept than the equity on the face of the statements of financial position, are:

(i) To comply with the capital requirements set by the regulators of the markets where the group provides returns for shareholders and benefits for other stakeholders.

(ii) To safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

(iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regulatory by the group's management employing techniques based on the guidelines developed by the FSC. The required information is filed with FSC on a monthly basis.

The company and its subsidiary, BUTM are both regulated by the FSC.

The FSC requires each bank or banking group to:

(i) Hold the minimum level of the tier 1 capital as a percentage of total capital base.
(ii) Maintain a ratio of total regulatory capital to the risk-weighted assets.

The group's regulatory capital is managed by its Treasury Department and Risk Manager and is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill, if any, is deducted in arriving at Tier 1 capital; and

(ii) Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of five weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

As at the reporting date, the group was in compliance with all of the externally imposed capital requirements to which it is subject.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Fair values of financial instruments**

The following table presents the group's and company's financial assets that are measured at fair value. There are no liabilities that are measured at fair value at the year end and the group has no instruments classified in Level 3 during the year. There were no transfers between levels during the year.

| | The Group | | |
|---|---|---|---|
| | | 2020 | |
| | Level 1<br>$'000 | Level 2<br>$'000 | Total<br>$'000 |
| **Investment securities fair value through profit or loss** | | | |
| Equity securities | 172,377 | 257,175 | 429,552 |
| **Investment securities fair value through other comprehensive income** | | | |
| Debt securities | - | 47,476,821 | 47,476,821 |
| | 172,377 | 47,733,996 | 47,906,373 |

| | | 2019 | |
|---|---|---|---|
| | Level 1<br>$'000 | Level 2<br>$'000 | Total<br>$'000 |
| **Investment securities fair value through profit or loss** | | | |
| Equity securities | 997,859 | 186,774 | 1,184,633 |
| **Investment securities fair value through other comprehensive income** | | | |
| Debt securities | - | 19,328,827 | 19,328,827 |
| | 997,859 | 19,515,601 | 20,513,460 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Fair values of financial instruments (cont'd)**

| | The Company | | |
|---|---|---|---|
| | 2020 | | |
| | Level 1<br>$'000 | Level 2<br>$'000 | Total<br>$'000 |
| **Investment securities fair value through profit or loss** | | | |
| Equity securities | 172,377 | 188,512 | 360,889 |
| **Investment securities fair value through other comprehensive income** | | | |
| Debt securities | - | 47,366,115 | 47,366,115 |
| | 172,377 | 47,554,627 | 47,727,004 |

| | 2019 | | |
|---|---|---|---|
| | Level 1<br>$'000 | Level 2<br>$'000 | Total<br>$'000 |
| **Investment securities fair value through profit or loss** | | | |
| Equity securities | 697,968 | 69,669 | 767,637 |
| **Investment securities fair value through other comprehensive income** | | | |
| Debt securities | - | 19,251,988 | 19,251,988 |
| | 697,968 | 19,321,657 | 20,019,625 |

The fair value of financial instruments that are traded in an active market for which there are no quoted market prices, is determined by using valuation techniques. When using valuation techniques, the group uses a variety of methods and makes assumptions that are based on market conditions existing at year end. The following methods and assumptions have been used.

(i) Investments securities classified as fair value through profit or loss and fair value through other comprehensive income are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, then fair values are estimated on the basis of pricing models or other recognized valuation techniques.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Fair values of financial instruments (cont'd)**

(ii) The fair value of liquid assets and other assets maturing within three months is assumed to approximate their carrying amount. The assumption is applied to liquid assets and the short term elements of all other financial instruments.

(iii) The fair value of variable rate financial instruments is assumed to approximate their carrying value.

(iv) The fair value of securities sold under agreements to repurchase is approximately their carrying amounts, due to short term maturity on these instruments.

(v) Equity security for which fair values cannot be measured reliably are recognized at cost less impairment.

6. **SEGMENT REPORTING:**

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The group is organized and managed in business segments based on its business activities which are all located in Jamaica. The designated segments are as follows:

(a) Fixed income – this includes money market activities and securities broking
(b) Funds management – this includes the administration of a number of unit trust funds
(c) Other operations – this includes the operation of foreign exchange cambio, stock broking and any other income.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted profit before tax. The segment information provided to the Board of Directors for the reportable segments for the year is as follows:

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

6. **SEGMENT REPORTING (CONT'D):**

| | The Group | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Fixed Income $'000 | Funds Management $'000 | Other $'000 | Group $'000 |
| Total segment revenue | 3,041,760 | 2,049,119 | 1,018,927 | 6,109,806 |
| Inter-segment revenue | ( 1,346) | - | ( 14,772) | ( 16,118) |
| Total gross external revenue | 3,040,414 | 2,049,119 | 1,004,155 | 6,093,688 |
| Total expenses | ( 897,013) | ( 181,984) | - | (1,078,997) |
| Inter-segment expense | - | 1,346 | - | 1,346 |
| | ( 897,013) | ( 180,638) | - | (1,077,651) |
| Segment results | 2,143,401 | 1,868,481 | 1,004,155 | 5,016,037 |
| Unallocated expenses | | | | (1,910,068) |
| Profit before tax | | | | 3,105,969 |
| Taxation | | | | ( 347,440) |
| Net profit | | | | 2,758,529 |
| Segment assets | 55,405,720 | 1,240,895 | 3,536,566 | 60,183,181 |
| Inter-segment assets | - | ( 784,838) | - | ( 784,838) |
| Net-segment assets | 55,405,720 | 456,057 | 3,536,566 | 59,398,343 |
| Unallocated assets | | | | 11,292,870 |
| Total assets | | | | 70,691,213 |
| Segment liabilities | 34,540,980 | 424,590 | - | 34,965,570 |
| Inter- segment liabilities | ( 94,361) | ( 295,432) | - | ( 389,793) |
| Net segment liabilities | 34,446,619 | 129,158 | - | 34,575,777 |
| Unallocated liabilities | | | | 8,634,756 |
| Total liabilities | | | | |
| Other segment items | | | | 43,210,533 |
| Depreciation (Note 18) | 55,517 | 164 | - | 55,681 |
| Amortisation (Note 19) | 6,463 | - | - | 6,463 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

6. **SEGMENT REPORTING (CONT'D):**

| | The Group | | | |
|---|---|---|---|---|
| | 2019 | | | |
| | Fixed Income $'000 | Funds Management $'000 | Other $'000 | Group $'000 |
| Total segment revenue | 2,119,542 | 998,947 | 2,890,057 | 6,008,546 |
| Inter-segment revenue | ( 5,791) | - | ( 1,115,449) | (1,121,240) |
| Total gross external revenue | 2,113,751 | 998,947 | 1,774,608 | 4,887,306 |
| Total expenses | ( 881,155) | (117,059) | - | ( 998,214) |
| Inter-segment expense | - | 5,791 | - | 5,791 |
| | ( 881,155) | (111,268) | - | ( 992,423) |
| Segment results | 1,232,596 | 887,679 | 1,774,608 | 3,894,883 |
| Unallocated expenses | | | | (1,440,559) |
| Profit before tax | | | | 2,454,324 |
| Taxation | | | | ( 741,543) |
| Net profit | | | | 1,712,781 |
| Segment assets | 35,165,373 | 1,665,689 | 1,742,792 | 38,573,854 |
| Inter-segment assets | - | ( 943,142) | - | ( 943,142) |
| Net-segment assets | 35,165,373 | 722,547 | 1,742,792 | 37,630,712 |
| Unallocated assets | | | | 3,373,942 |
| Total assets | | | | 41,004,654 |
| Segment liabilities | 24,103,594 | 368,810 | - | 24,472,404 |
| Inter- segment liabilities | ( 10,784) | - | - | ( 10,784) |
| Net segment liabilities | 24,092,810 | 368,810 | - | 24,461,620 |
| Unallocated liabilities | | | | 2,873,756 |
| Total liabilities | | | | |
| Other segment items | | | | 27,335,376 |
| Depreciation (Note 18) | 26,560 | 163 | - | 26,723 |
| Amortisation (Note 19) | 6,353 | - | - | 6,353 |

Revenue between segments is recorded on the basis outlined in Note 3 (c). The accounting policies used to record income, assets and liabilities are consistent for all segments. There was no change in the method used to determine reportable segments when compared to the previous year.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

6. **SEGMENT REPORTING (CONT'D):**

Profit from the reportable segments is reconciled to the group's profit before taxation as follows:

| | The Group | |
|---|---|---|
| | 2020<br>$'000 | 2019<br>$'000 |
| Profit from reportable segments | 5,016,037 | 3,894,883 |
| Unallocated costs - | | |
| Operating expenses | (1,910,068) | (1,440,559) |
| | 3,105,969 | 2,454,324 |

Reportable segments assets are reconciled to the groups' total assets as follows:

| | The Group | |
|---|---|---|
| | 2020<br>$'000 | 2019<br>$'000 |
| Segment assets from reportable segments | 59,398,343 | 37,630,712 |
| Unallocated assets - | | |
| Cash and bank balances | 5,179,013 | 652,554 |
| Receivables | 2,969,487 | 734,215 |
| Due from related parties | 1,729,171 | 1,546,670 |
| Property, plant and equipment | 608,682 | 351,972 |
| Intangible assets | 18,399 | 33,531 |
| Investments | 55,000 | 55,000 |
| Investment property | 203,400 | - |
| Right-of-use assets | 256,588 | - |
| Taxation recoverable | 273,130 | - |
| | 70,691,213 | 41,004,654 |

Reportable segments liabilities are reconciled to the group's total liabilities as follows:

| | The Group | |
|---|---|---|
| | 2020<br>$'000 | 2019<br>$'000 |
| Segment assets from reportable segments | 34,575,777 | 24,461,620 |
| Unallocated liabilities – | | |
| Short term loans | 611,947 | - |
| Bank overdraft | 8,720 | 71,819 |
| Payables | 7,120,704 | 1,674,653 |
| Due to related parties | 4,479 | 17,572 |
| Taxation payable | - | 543,358 |
| Deferred tax liabilities | 606,608 | 566,354 |
| Lease liability | 282,298 | - |
| | 43,210,533 | 27,335,376 |

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

## 7. STAFF COSTS:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Wages and salaries | 595,172 | 416,477 | 587,448 | 377,377 |
| Commissions | 81,183 | 46,927 | 81,183 | 46,927 |
| Statutory contributions | 61,829 | 40,263 | 58,293 | 37,704 |
| Pension costs | 27,155 | 20,923 | 25,576 | 19,428 |
| Other staff benefits | 80,751 | 28,960 | 77,901 | 26,590 |
| | 846,090 | 553,550 | 830,401 | 508,026 |

## 8. EXPENSES BY NATURE:

Total direct and administration expenses:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Advertising and promotion | 129,689 | 92,380 | 119,163 | 86,598 |
| Assets tax | 68,255 | 43,300 | 68,255 | 40,573 |
| Auditor's remuneration | 10,451 | 9,055 | 7,396 | 5,000 |
| Impairment of financial assets | 110,794 | 60,162 | 8,278 | 60,162 |
| Bank charges and interest | 15,054 | 16,106 | 15,054 | 13,002 |
| Depreciation and amortisation (Notes 18 and 19) | 62,144 | 33,076 | 61,980 | 32,913 |
| Directors' fees | 16,395 | 21,850 | 16,395 | 19,825 |
| Donations | 31,893 | 50,641 | 31,893 | 50,598 |
| Expected credit losses | 33,437 | 123,070 | 40,874 | 107,442 |
| Insurance | 12,079 | 12,121 | 12,079 | 12,121 |
| Office expenses | 32,465 | 20,416 | 31,083 | 17,755 |
| Professional fees | 81,279 | 50,335 | 67,485 | 42,572 |
| Registration and license fees | 33,123 | 19,762 | 29,069 | 15,357 |
| Rent | 25,795 | 7,601 | 20,124 | 7,601 |
| Management fees | 205,865 | 255,000 | 191,873 | 255,000 |
| Repairs and maintenance | 19,446 | 14,560 | 19,446 | 14,447 |
| Security costs | 38,156 | 15,403 | 38,156 | 15,403 |
| Software maintenance | 52,057 | 27,644 | 52,057 | 27,644 |
| Staff costs (Note 7) | 846,090 | 553,550 | 830,401 | 508,026 |
| Utilities | 8,768 | 11,375 | 8,768 | 7,857 |
| Other expenses | 274,765 | 88,043 | 185,229 | 85,663 |
| | 2,108,000 | 1,525,450 | 1,855,058 | 1,425,559 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

9. **TAXATION EXPENSE:**

(a) Income tax is computed on the profit for the year, as adjusted for taxation purposes, and comprises income tax at 33 1/3%:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Current year tax charge | 362,680 | 823,821 | 221,719 | 567,752 |
| Prior year over provision | ( 361,814) | ( 5,525) | ( 361,814) | ( 9,014) |
| Deferred income tax (Note 25) | 346,574 | ( 76,753) | 368,725 | ( 87,436) |
| Tax charge | 347,440 | 741,543 | 228,630 | 471,302 |

(b) Reconciliation of applicable tax expense to effective tax charge.

The group's and company's taxation expense differ from the theoretical amount that would arise from the profit before tax using the applicable tax rate of the group and the company as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Profit before taxation | 3,105,969 | 2,454,324 | 2,824,211 | 2,786,518 |
| Tax calculated at 33 1/3 % | 1,035,323 | 818,108 | 941,403 | 928,839 |
| Adjusted for the effects of: | | | | |
| Income not subject to tax | ( 455,433) | ( 107,955) | ( 444,007) | ( 448,770) |
| Expenses not allowable for tax purpose | 243,294 | 160,445 | 182,416 | 137,921 |
| Other charges and allowances | ( 475,744) | ( 129,055) | ( 451,182) | ( 146,688) |
| Tax charge | 347,440 | 741,543 | 228,630 | 471,302 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

9. **TAXATION EXPENSE (CONT'D):**

(c) The gains/(losses) recorded in other comprehensive income and related tax (charges)/credits are as follows:

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | 2020 $'000 | | | 2019 $'000 | | |
| | **Before tax** | **Taxation** | **After tax** | **Before tax** | **Taxation** | **After tax** |
| Revaluation gains on property, plant and equipment net of taxes | - | - | - | 27,500 | ( 9,167) | 18,333 |
| Unrealised losses on securities at FVOCI | (1,644,520) | 548,173 | (1,096,347) | (705,401) | 235,134 | (470,267) |
| ECL adjustment on securities at FVOCI | 6,339 | ( 2,113) | 4,226 | 122,614 | ( 40,871) | 81,743 |
| Realised gains on securities at FVOCI | 781,541 | (260,513) | 521,028 | 900,303 | (300,101) | 600,202 |
| | ( 856,640) | 285,547 | ( 571,093) | 345,016 | (115,005) | 230,011 |

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

9. **TAXATION EXPENSE (CONT'D):**

(c) The gains/losses recorded in other comprehensive income and related tax (charges)/credits are as follows (cont'd):

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| | 2020 $'000 | | | 2019 $'000 | | |
| | **Before tax** | **Taxation** | **After tax** | **Before tax** | **Taxation** | **After tax** |
| Revaluation gains on property, plant and equipment net of taxes | - | - | - | 27,500 | ( 9,167) | 18,333 |
| Unrealised losses on securities at FVOCI | (1,783,181) | 594,394 | (1,188,787) | (705,401) | 235,134 | (470,267) |
| ECL Adjustment on securities FVOCI | 20,639 | ( 6,880) | 13,759 | 107,442 | ( 35,814) | 71,628 |
| Realised gains on securities at FVOCI | 777,131 | (259,043) | 518,088 | 825,641 | ( 275,214) | 550,427 |
| | ( 985,411) | 328,471 | ( 656,940) | 255,182 | ( 85,061) | 170,121 |

## 10. NET PROFIT:

The net profit of the group is reflected in the accounts of the company and its subsidiary as follows:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Holding company | 2,582,129 | 1,199,767 |
| Subsidiary | 176,400 | 513,014 |
| | 2,758,529 | 1,712,781 |

## 11. CASH AND CASH EQUIVALENTS:

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Cash in hand | 125 | 125 | 125 | 125 |
| Cash at bank | 5,277,483 | 787,795 | 5,178,888 | 652,429 |
| | 5,277,608 | 787,920 | 5,179,013 | 652,554 |
| Bank overdraft | ( 8,720) | ( 71,819) | ( 8,720) | ( 71,819) |
| | 5,268,888 | 716,101 | 5,170,293 | 580,735 |

Cash at bank comprises mainly amounts held in current accounts, which attract interest at 0.5% - 1%.

The group's overdraft facilities of $35,000,000 (2019 - $35,000,000) with First Caribbean International Bank Limited are secured by Government of Jamaica Investment Notes with a face value of $35,000,000 (2019 - $35,000,000). The weighted average effective interest rate on the overdraft facilities is 17.85% (2019 – 17.85%).

## 12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS:

The group and company have entered into repurchase agreements collaterised by Government of Jamaica (GOJ) securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Most of these agreements will mature within twelve months. Included in securities purchased under resale agreements is accrued interest for the group and company of $27,698,000 (2019 - $14,597,000).

# BARITA INVESTMENTS LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

# 30 SEPTEMBER 2020

## 13. INVESTMENT SECURITIES:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Fair value through profit or loss - | | | | |
| Quoted equities | 178,697 | 1,012,220 | 178,298 | 712,331 |
| Fair value through other comprehensive income - | | | | |
| Government of Jamaica (GOJ) bonds | 20,517,105 | 15,408,817 | 20,517,105 | 15,408,817 |
| Corporate bonds | 26,443,210 | 3,700,330 | 26,334,884 | 3,623,800 |
| Unit Trust Funds | 251,253 | 172,412 | 182,590 | 55,307 |
| | 47,211,568 | 19,281,559 | 47,034,579 | 19,087,924 |
| | 47,390,265 | 20,293,779 | 47,212,877 | 19,800,255 |
| Accured interest | 516,108 | 219,681 | 514,127 | 219,370 |
| | 47,906,373 | 20,513,460 | 47,727,004 | 20,019,625 |
| Amortised cost | | | | |
| Other investment securities | 1,458,450 | 1,457,547 | 1,458,450 | 1,457,547 |
| | 49,364,823 | 21,971,007 | 49,185,454 | 21,477,172 |
| Less: Pledged assets (Note 14) | (35,425,728) | (10,928,445) | (35,425,728) | (10,928,445) |
| | 13,939,095 | 11,042,562 | 13,759,726 | 10,548,727 |

At 30 September 2020, the fair value of investment securities disclosed as amortised cost was $1,458,450,000 (2019 - $1,457,547,000) and are considered to be level 2 in the fair value hierarchy. There is no market for GOJ bonds classified as loans and receivable.

### (a) Funds under management

The group provides custody, investment, management and advisory services for both institutions and individuals which involve the group making investment allocation and purchase and sales decisions in relation to a range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements (off-balance sheet). At the end of the reporting period, the group had financial assets under management, both on and off-balance sheet of approximately $290,002,386,000 (2019: $181,766,327,000).

14. **PLEDGED ASSETS:**

Assets of the group are pledged as collateral under repurchase agreement with customers and financial institutions. The group also has investment securities that are pledged as security in relation to overdraft and other facilities with the Bank of Jamaica (BOJ) and other financial institutions.

| | The Group and Company | | | |
|---|---|---|---|---|
| | Asset | | Related Liability | |
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Investment securities (Note 13) | | | | |
| Pledged with customers | 15,904,671 | 10,152,894 | 15,904,671 | 10,152,894 |
| Pledged with BOJ and other financial institutions | 19,521,057 | 775,551 | 19,521,057 | 775,551 |
| | 35,425,728 | 10,928,445 | 35,425,728 | 10,928,445 |

15. **RECEIVABLES:**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Receivable from clients | 2,353,406 | 102,860 | 2,353,406 | 102,860 |
| Prepaid expenses | 31,461 | 23,766 | 29,506 | 22,324 |
| Withholding tax | 394,048 | 346,969 | 379,184 | 346,969 |
| Other | 207,493 | 274,922 | 207,391 | 262,062 |
| | 2,986,408 | 748,517 | 2,969,487 | 734,215 |

Receivables collectible within twelve months amounted to $1,193,373,000 (2019 - $179,717,000) for the group and $1,195,328,000 (2019 - $178,275,000) for the company.

16. **EARNINGS PER SHARE:**

Earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares (Note 26).

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

16. **EARNINGS PER SHARE (CONT'D):**

| | 2020 | 2019 |
|---|---|---|
| Net profit attributable to ordinary shareholders ($'000) | 2,758,529 | 1,712,781 |
| Weighted average number of ordinary shares in issue | 829,287 | 707,294 |
| Basic earnings per share ($ per share) | 3.33 | 2.42 |

The increase in the number of shares represents shares issued through an additional public offer on 26 September 2020.

17. **RELATED PARTY TRANSACTIONS AND BALANCES:**

Related parties are identified below, as companies with which there are common directors and/or common shareholders, and key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, including directors and officers and close members of the families of these individuals.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

17. **RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):**

(a) **The following transactions were carried out with related parties during the year:**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Barita Unit Trusts Management Company Limited - | | | | |
| Interest paid on investments | - | - | ( 1,346) | ( 5,791) |
| Rental income received | - | - | 1,200 | 582 |
| Dividend received | - | - | 13,572 | 1,100,000 |
| Barita Unit Trust Funds - | | | | |
| Interest paid on Investments | - | ( 52,226) | - | ( 52,226) |
| Barita Group Pension - | | | | |
| Management fees | 28,626 | 32,728 | 28,636 | 32,728 |
| Interest paid on Investments | - | ( 605) | - | ( 605) |
| Directors and key management - | | | | |
| Interest paid on investments | 182,352 | ( 50,028) | 182,352 | ( 50,028) |
| Cornerstone United Jamaica Holdings | | | | |
| Limited - Management fees | 205,865 | 255,000 | 205,865 | 255,000 |
| Interest paid on investment | - | ( 3,963) | - | ( 3,963) |
| Cornerstone Merchant Bank Limited - | | | | |
| Preference shares investment | 1,450,000 | 1,450,000 | 1,450,000 | 1,450,000 |

The company entered a non-deliverable forward currency contract selling transaction with Cornerstone Financial Holdings Limited for US$63 million with trade date of 24 August 2020 and settlement date of 1 October 2020. The settlement was duly executed and the company booked a gain of J$719,982,900 in these financial statements due to movement in exchange rate. The transaction was executed in the ordinary course of business.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

### 17. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

(b) **The balances at year end were as follows:**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Receivables – | | | | |
| Barita Unit Trusts Management Company Limited | - | - | 186 | - |
| Barita Pension | 40,213 | 32,480 | 40,213 | 32,480 |
| Barita Unit Trust Money Market Fund | 7,427 | 26,792 | - | - |
| Barita Unit Trust Capital Growth Fund | 16,724 | 13,356 | - | - |
| Barita Multiple Portfolio Funds | 225,899 | 37,743 | - | - |
| Barita Education Foundation | 41 | - | 41 | - |
| Cornerstone Trust and Merchant Bank Ltd. | 5,167 | 33,938 | 5,167 | 33,938 |
| Cornerstone Financial Holdings Ltd. | 1,643,090 | 1,480,252 | 1,643,090 | 1,480,252 |
| Cornerstone United Holdings Ltd. | - | - | - | - |
| Key management personnel | 40,474 | 23 | 40,474 | - |
| | 1,979,035 | 1,624,584 | 1,729,171 | 1,546,670 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Payables - | | | | |
| Barita Unit Trusts Management Company Limited | - | - | 392,829 | - |
| Barita Unit Trust Money Market Fund | 2,540 | 123 | - | - |
| Barita Unit Trust Capital Growth Fund | 5,925 | 202 | - | - |
| Barita Multiple Portfolio Funds | 260,800 | 59,814 | - | - |
| Cornerstone Trust and Merchant Bank Ltd. | 4,479 | 17,572 | 4,479 | 17,572 |
| | 273,744 | 77,711 | 397,308 | 17,572 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Due to - | | | | |
| Barita Unit Trusts Management Company Limited (included in payables) | - | - | 201,343 | - |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

17. **RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):**

(b) **The balances at year end were as follows (cont'd):**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Investment securities - | | | | |
| Barita Real Estate Portfolio Fund | 93,286 | 60,560 | - | 55,306 |
| Barita Multiple Portfolio Fund | 49,997 | 96,520 | 87,840 | - |
| Barita Unit Trust Capital Growth Fund | 107,970 | 15,331 | 94,750 | - |
| | 251,253 | 172,411 | 182,590 | 55,306 |
| Securities sold under repurchase agreement | | | | |
| Barita Unit Trusts Management Company Limited | - | - | ( 94,361) | ( 10,784) |
| Barita Unit Trust Money Market Fund | ( 76,329) | ( 175,545) | ( 76,329) | ( 175,545) |
| Barita Unit Trust Capital Growth Fund | ( 183,273) | ( 514,051) | ( 183,273) | ( 514,051) |
| Barita Multiple Portfolio Funds | (1,810,890) | (2,309,557) | (1,810,890) | (2,309,557) |
| Barita Group Pension Scheme | ( 10,992) | ( 68,980) | ( 10,992) | ( 68,980) |
| Cornerstone Trust and Merchant Bank Ltd. | (1,056,028) | ( 884,142) | (1,056,028) | ( 884,142) |
| Cornerstone Financial Holdings Ltd. | - | ( 1,909) | - | ( 1,909) |
| Cornerstone United Holdings Ltd. | ( 75,356) | - | ( 75,356) | - |
| Directors | ( 31,169) | - | ( 31,169) | - |
| | (3,244,037) | (3,954,184) | (3,338,398) | (3,964,968) |

All amounts recorded in receivables, payables and securities sold under repurchase agreements are due within twelve months.

(c) **Key management compensation**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| | $'000 | $'000 | $'000 | $'000 |
| Salaries | 128,027 | 130,740 | 128,027 | 130,740 |
| Statutory deductions | 13,142 | 7,968 | 13,142 | 7,968 |
| Pension | 2,852 | 6,689 | 2,852 | 6,689 |
| Commission | 17,330 | 16,674 | 17,330 | 16,674 |
| | 161,351 | 162,071 | 161,351 | 162,071 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

17. **RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):**

(c) **Key management compensation (cont'd)**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020<br>$'000 | 2019<br>$'000 | 2020<br>$'000 | 2019<br>$'000 |
| Directors' emoluments | | | | |
| Management remuneration (included in staff costs) | 25,720 | 25,872 | 25,720 | 25,872 |
| Directors' fees | 16,395 | 21,825 | 16,395 | 19,825 |
| | 42,115 | 47,697 | 42,115 | 45,697 |

**Interests in unconsolidated structured entities**

A structured entity is an entity in which voting or similar rights are not a dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the equity of the company. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for control in accordance with accounting policy set out in Note 3(b).

The group, through its subsidiary BUTM manages a number of Unit Trusts namely: Barita Unit Trust Money Market Fund, Barita Unit Trust Capital Growth Fund and Barita Multiple Portfolio Funds (which includes an FX Bond Portfolio Fund, Income Portfolio Fund, FX Growth Portfolio, Real Estate Portfolio, USD Fixed Rate Portfolio, the JMD Fixed Rate Portfolio, Premium Growth JMD and Premium Growth USD). These funds were established to provide customers with investment opportunities.

The unit trusts have an independent trustee. The group, through its subsidiary BUTM, is entitled to receive management fees based on the assets under management. The group also holds units in the unit trusts.

## BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

### 17. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

**Interests in unconsolidated structured entities (cont'd)**

The table below shows the group's interest and income arising from involvement with the unit trusts as well as the maximum exposure to loss. The maximum exposure to loss from the group's interest represents the maximum loss that the group could incur as a result of its involvement with the unit trust regardless of the probability of the loss being incurred. The income from the group's interest includes recurring and non-recurring fees and any market to market gains/losses on a net basis.

| | 2020<br>$'000 | 2019<br>$'000 |
|---|---|---|
| The group's interest – carrying value of units held (included in fair value through other comprehensive | - | 172,411 |
| Maximum exposure to loss | - | - |
| Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statements of financial position) | (2,070,492) | (2,999,153) |
| Total income from the group's interests | 483,173 | 426,670 |

The group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trusts in the future.

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2020**

## 18. PROPERTY, PLANT AND EQUIPMENT:

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | Land & Buildings $'000 | Office Furniture, Machines & Equipment $'000 | Computer Equipment $'000 | Work-in-Progress $'000 | Motor Vehicles $'000 | Total $'000 |
| | 2020 | | | | | |
| **At Cost or Valuation -** | | | | | | |
| 30 September 2018 | 239,362 | 54,337 | 56,340 | - | 9,735 | 359,774 |
| Additions | 47,758 | 22,074 | 24,545 | - | 27,822 | 122,199 |
| Adjustments | - | ( 3,260) | 76 | - | - | ( 3,184) |
| Disposals | ( 12,509) | ( 482) | ( 231) | - | - | ( 13,222) |
| Revaluation | 27,500 | - | - | - | - | 27,500 |
| 30 September 2019 | 302,111 | 72,669 | 80,730 | - | 37,557 | 493,067 |
| Additions | 72,816 | 40,446 | 34,368 | 122,533 | 15,200 | 285,363 |
| Adjustments | - | (33,062) | ( 20,896) | - | ( 2,058) | ( 56,016) |
| Transfer | - | - | 26,833 | - | - | 26,833 |
| Disposals | - | ( 87) | ( 6) | - | - | ( 93) |
| 30 September 2020 | 374,927 | 79,966 | 121,029 | 122,533 | 50,699 | 749,154 |
| **Depreciation -** | | | | | | |
| 30 September 2018 | 21,348 | 37,284 | 52,995 | - | 4,614 | 116,241 |
| Charge for the year | 6,339 | 4,195 | 10,928 | - | 5,261 | 26,723 |
| Disposals | ( 3,000) | ( 90) | ( 82) | - | - | ( 3,172) |
| 30 September 2019 | 24,687 | 41,389 | 63,841 | - | 9,875 | 139,792 |
| Charge for the year | 12,203 | 4,262 | 29,418 | - | 9,798 | 55,681 |
| Adjustments | - | ( 25,956) | ( 28,112) | - | ( 2,057) | ( 56,125) |
| Disposals | - | ( 9) | ( 6) | - | - | ( 15) |
| 30 September 2020 | 36,890 | 19,686 | 65,141 | - | 17,616 | 139,333 |
| **Net Book Value -** | | | | | | |
| 30 September 2020 | 338,037 | 60,280 | 55,888 | 122,533 | 33,083 | 609,821 |
| 30 September 2019 | 277,424 | 31,280 | 16,889 | - | 27,682 | 353,275 |

The net book value of property, plant and equipment includes work-in-progress amounting to $122,533,000 relating to the renovations being carried out on right-of-use asset located at the Panjam Building, 60 Knutsford Boulevard, Kingston 5. The cost will be depreciated once the renovations are completed.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

18. **PROPERTY, PLANT AND EQUIPMENT (CONT'D):**

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| | Land & Buildings $'000 | Office Furniture, Machines & Equipment $'000 | Computer Equipment $'000 | Work-in-Progress $'000 | Motor Vehicles $'000 | Total $'000 |
| | 2020 | | | | | |
| **At Cost or Valuation -** | | | | | | |
| 30 September 2018 | 238,244 | 53,002 | 51,866 | - | 10,593 | 353,705 |
| Additions | 47,758 | 22,045 | 24,545 | - | 27,822 | 122,170 |
| Adjustments | - | ( 3,260) | 76 | - | - | ( 3,184) |
| Revaluation | 27,500 | - | | - | - | 27,500 |
| Disposals | ( 12,509) | ( 395) | ( 225) | - | - | ( 13,129) |
| 30 September 2019 | 300,993 | 71,392 | 76,262 | - | 38,415 | 487,062 |
| Additions | 72,816 | 40,446 | 34,368 | 122,533 | 15,200 | 285,363 |
| Adjustments | - | (33,091) | ( 20,896) | - | ( 2,058) | ( 56,045) |
| Transfer | - | - | 26,833 | - | - | 26,833 |
| 30 September 2020 | 373,809 | 78,747 | 116,567 | 122,533 | 51,557 | 743,213 |
| **Depreciation -** | | | | | | |
| 30 September 2018 | 20,230 | 37,370 | 48,615 | - | 5,472 | 111,687 |
| Charge for the year | 6,339 | 4,050 | 10,910 | - | 5,261 | 26,560 |
| Disposals | ( 3,000) | ( 81) | ( 76) | - | - | ( 3,157) |
| 30 September 2019 | 23,569 | 41,339 | 59,449 | - | 10,733 | 135,090 |
| Charge for the year | 12,203 | 4,116 | 29,400 | - | 9,798 | 55,517 |
| Adjustments | - | ( 25,907) | ( 28,112) | - | ( 2,057) | ( 56,076) |
| 30 September 2020 | 35,772 | 19,548 | 60,737 | - | 18,474 | 134,531 |
| **Net Book Value -** | | | | | | |
| 30 September 2020 | 338,037 | 59,199 | 55,830 | 122,533 | 33,083 | 608,682 |
| 30 September 2019 | 277,424 | 30,053 | 16,813 | - | 27,682 | 351,972 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

18. **PROPERTY, PLANT AND EQUIPMENT (CONT'D):**

The group's land and building were revalued as at 15 January 2019 by D C Tavares & Finson Realty Limited, professionally qualified property appraisers. The valuations were done on the basis of open market value.

The property, plant and equipment that subsequent to initial recognition are measured at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The levels are as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (that is prices) or indirectly (that is, derived from prices);

- Level 3 fair value measurements are those derived from inputs from the assets or liability that are not based on observation of market data (that is, unobservable inputs).

The items of property, plant and equipment of the group and the company shown at revalued amounts are included in Level 2. There were no transfers between levels for both years.

The historical cost of land and building is not available.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

19. **INTANGIBLE ASSETS:**

| | The Group and Company |
|---|---|
| | Computer Software |
| **At Cost or Valuation -** | |
| 30 September 2018 | 131,714 |
| Additions | 30,794 |
| 30 September 2019 | 162,508 |
| Additions | 18,164 |
| Adjustment | ( 26,833) |
| 30 September 2020 | 153,839 |
| **Amortisation -** | |
| 30 September 2018 | 122,624 |
| Charge for the year | 6,353 |
| 30 September 2019 | 128,977 |
| Charge for the year | 6,463 |
| 30 September 2020 | 135,440 |
| **Net Book Value –** | |
| 30 September 2020 | 18,399 |
| 30 September 2019 | 33,531 |

Software development costs were capitalized as it is expected that economic benefits attributable to the use of the software will flow to the group. The software is expected to replace the current investment management system used by the group.

20. **INVESTMENT:**

This investment is in respect of the company's seat on the stock exchange and is carried at fair value. The seat has an indefinite useful life and was tested for impairment. The impairment test was done by comparing the recoverable amount to the carrying value.

The recoverable amount is based on the market value. The market value is based on the last sale price for a seat on the stock exchange. This would be classified as level 2 in the fair value hierarchy.

The carrying amount would have been $2 if the asset was carried using the cost model.

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

### 21. INVESTMENT PROPERTY:

| | The Group and Company | |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| At beginning of year | | |
| Investment property acquired | 165,497 | - |
| Fair value adjustment | 37,903 | - |
| | 203,400 | - |

The Group's property was revalued 14 September 2020 by independent valuators Thomas, Forbes & Associates Limited, a licenced real estate dealer. The valuations were done on the basis of open market value.

No rental income from the investment property was recognized in the consolidated statement of comprehensive income. Direct operating expenses including repairs and maintenance arising from investment property amounted to Nil.

### 22. RIGHT-OF-USE ASSETS:

(a) Right-of-use assets:

| | The Group and Company |
|---|---|
| | 2020 $'000 |
| Adoption of IFRS 16 | 220,656 |
| Amortisation | ( 12,152) |
| Adjusted opening balance | 208,504 |
| Additions | 71,421 |
| Current amortisation | ( 23,337) |
| 30 September 2020 | 256,588 |

(b) Lease liability:

| | |
|---|---|
| Adoption of IFRS 16 | 220,656 |
| Interest expense | 4,262 |
| Lease payments | ( 7,838) |
| Adjusted opening balance | 217,080 |
| New lease | 71,421 |
| Interest expense on lease obligation | 15,948 |
| Lease payments | ( 22,151) |
| 30 September 2020 | 282,298 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

### 22. RIGHT OF USE ASSETS (CONT'D):

The properties leased by the Group are 1st, 7th and 10th floor of Panjam building located 60 Knutsford Blvd Kingston, Lot #57 and Lot #3 Fair view Shopping Center Montego Bay, St James and Strata Lot #2 Manchester Shopping Centre, Manchester.

### 23. SHORT TERM LOANS:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Secured loan note | 611,947 | - | 611,947 | - |

The secured loan notes represent 2% short term debt obligation and are repayable upon maturity. The maturity dates for the secured notes are the 15th, 28th and 30th of October 2020.

### 24. PAYABLES:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Client funds | 4,529,366 | 170,871 | 4,730,523 | 170,871 |
| Statutory liabilities | 15,188 | 12,017 | 14,491 | 11,513 |
| Other | 592,180 | 659,563 | 542,110 | 595,034 |
| Dividend payable (note 30) | 1,833,580 | 897,235 | 1,833,580 | 897,235 |
| | 6,970,314 | 1,739,686 | 7,120,704 | 1,674,653 |

### 25. DEFERRED TAXATION:

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 33 1/3%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Deferred tax liabilities | 616,891 | 622,850 | 606,608 | 566,354 |

25. **DEFERRED TAXATION (CONT'D):**

The movement in deferred tax assets and liabilities during the period is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020 $'000 | 2019 $'000 | 2020 $'000 | 2019 $'000 |
| Net liabilities at beginning of year | 622,850 | 586,014 | 566,354 | 568,729 |
| Charged/(credited) to profit or loss (Note 9) | 346,574 | ( 76,753) | 368,725 | ( 87,436) |
| Charged to other comprehensive income (Note 9) | (352,533) | 115,005 | (328,471) | 85,061 |
| Other allowances | - | ( 1,416) | - | - |
| Net liabilities at end of year | 616,891 | 622,850 | 606,608 | 566,354 |

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| **Deferred tax liabilities** | **Accelerated depreciation $'000** | **Interest receivable $'000** | **Exchange gain $'000** | **Investment securities $'000** | **Lease liability $'000** | **Total $'000** |
| 30 September 2018 | 53,528 | 68,015 | 150,747 | 447,664 | - | 719,954 |
| Charged to profit or loss | 1,538 | 1,978 | 10,950 | - | - | 14,466 |
| Charged to other comprehensive income | - | - | - | 142,943 | - | 142,943 |
| 30 September 2019 | 55,066 | 69,993 | 161,697 | 590,607 | - | 877,363 |
| Charged/(credited) to profit or loss | (27,867) | 101,801 | 252,212 | ( 39,123) | 94,099 | 381,122 |
| Charged to other comprehensive income | - | - | - | 241,861 | - | 241,861 |
| 30 September 2020 | 27,199 | 171,794 | 413,909 | 793,345 | 94,099 | 1,500,346 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

25. **DEFERRED TAXATION (CONT'D):**

| Deferred tax assets | The Group<br>Investment securities<br>$'000 | <br>Interest payable<br>$'000 | <br>Right of use<br>$'000 | <br>Total<br>$'000 |
|---|---|---|---|---|
| 30 September 2018 | 117,868 | 16,072 | - | 133,940 |
| Charged to profit or loss | 117,015 | 3,558 | - | 120,573 |
| 30 September 2019 | 234,883 | 19,630 | - | 254,513 |
| (Credited)/charged to profit or loss | ( 70,863) | 19,882 | 85,529 | 34,548 |
| Charged to other comprehensive income | 594,394 | - | - | 594,394 |
| 30 September 2020 | 758,414 | 39,512 | 85,529 | 883,445 |

| Deferred tax liabilities | The Company<br>Accelerated depreciation<br>$'000 | <br>Interest receivable<br>$'000 | <br>Exchange gain<br>$'000 | <br>Investment securities<br>$'000 | <br>Lease liability<br>$'000 | <br>Total<br>$'000 |
|---|---|---|---|---|---|---|
| 30 September 2018 | 53,713 | 63,971 | 137,319 | 447,664 | - | 702,669 |
| Charged to profit or loss | 1,467 | 5,919 | 25,751 | - | - | 33,137 |
| Charged to other comprehensive income | - | - | - | 85,061 | - | 85,061 |
| 30 September 2019 | 55,180 | 69,890 | 163,070 | 532,727 | - | 820,867 |
| Charged/(credited) to profit or loss | 922 | 98,677 | 248,698 | ( 39,123) | 94,099 | 403,273 |
| Charged to other comprehensive income | - | - | - | 265,923 | - | 265,923 |
| 30 September 2020 | 56,102 | 168,567 | 411,768 | 759,527 | 94,099 | 1,490,063 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

25. **DEFERRED TAXATION (CONT'D):**

| | The Company | | | |
|---|---|---|---|---|
| **Deferred tax assets** | **Investment securities $'000** | **Interest payable $'000** | **Right of use $'000** | **Total $'000** |
| 30 September 2018 | 117,868 | 16,072 | - | 133,940 |
| Charged to profit or loss | 117,015 | 3,558 | - | 120,573 |
| 30 September 2019 | 234,883 | 19,630 | - | 254,513 |
| Credited/charged to profit or loss | ( 70,863) | 19,882 | 85,529 | 34,548 |
| Charged to other comprehensive income | 594,394 | - | - | 594,394 |
| 30 September 2020 | 758,414 | 39,512 | 85,529 | 883,455 |

The amounts shown in the statement of financial position include the following to be settled or recovered after more than 12 months:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2020 $'000** | **2019 $'000** | **2020 $'000** | **2019 $'000** |
| Deferred tax liabilities | (1,500,346) | (877,363) | (1,490,063) | ( 820,867) |
| Deferred tax assets | 883,455 | 254,513 | 883,455 | 254,513 |

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 SEPTEMBER 2020

26. **SHARE CAPITAL AND TREASURY SHARES:**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020<br>$'000 | 2019<br>$'000 | 2020<br>$'000 | 2019<br>$'000 |
| Authorised: | | | | |
| Ordinary shares 14,000,000,000 | | | | |
| Preference 1,000,000,000 | | | | |
| Issued and fully paid | | | | |
| Ordinary stock units | | | | |
| 1,085,603,093 (2019 – 825,003,263) | 23,147,826 | 9,887,680 | 23,147,826 | 9,887,680 |
| Non-redeemable preference shares | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Treasury shares | | | | |
| 10,753,848 (2019 – 10,753,848) | ( 1,272) | ( 188,299) | - | - |
| | 24,146,554 | 10,699,381 | 24,147,826 | 10,887,680 |

(a) On 17 January 2019, a Board resolution was passed for a non-renounceable rights issue of ten (10) additional shares for every seventeen (17) shares owned by existing stockholders of the company at a subscription price of $15.50 per share and record date of 5 February 2019. Ordinary shares issued through this rights issue was 262,280,484 shares.

(b) On 31 July 2019, a Board resolution was passed for a non-renounceable rights issue of eleven (11) additional shares for every one hundred (100) shares owned by existing stockholders of the company at a subscription price of $45 per share and a record date of 20 August 2019. Ordinary shares issued through this right issue was 116,845,955 shares.

(c) Preference shares of One Hundred Million (100,000,000) were issued on 3 May 2019 at a price of $10.00 per share at 4% per annum.

   (i) The holders of these shares will not have the right to vote at any general meeting of the company.
   (ii) In the event of any liquidation, dissolution or winding up of the issuer, the preference shareholders are entitled to receive settlement in preference to ordinary shareholders.

26. **SHARE CAPITAL AND TREASURY SHARES (CONT'D):**

(d) On 10 July 2020, the Board of Directors passed a resolution for the issue of shares through an additional public offer thereby approving the issue up to 300,000,000 ordinary shares at a price of $49 to $52 per unit, with the ability to upsize to a maximum of 260,599,830 new ordinary shares. The total shares issued under the additional public offer amounted to 260,599,830 units.

(e) BUTM participated in Barita initial public offering on 15 January 2010 by acquiring 598,000 ordinary shares and 45,290,000 redeemable preference shares. BUTM acquired additional Barita ordinary shares of 50,500 and 3,713,383 during 2014 and 2015; respectively. BUTM sold 462,867 and 1,949,508 shares during 2015 and 2018 respectively. During the year 2019, BUTM participated in the Barita rights issue and acquired additional shares, thereby increasing the shareholdings by 8,804,340. As at 30 September 2020, BUTM held 24,458 ordinary shares in Barita after disposing of 10,729,390 share. The ordinary shares acquired by BUTM are treated as treasury shares in the consolidated financial statements.

27. **CAPITAL RESERVE:**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2020<br>$'000 | 2019<br>$'000 | 2020<br>$'000 | 2019<br>$'000 |
| Balance at beginning of the year | 111,466 | 93,133 | 176,321 | 154,988 |
| Revaluation gains on property, plant and equipment | - | 18,333 | - | 18,333 |
| | 111,466 | 111,466 | 173,321 | 173,321 |

The consolidated revaluation reserve represents unrealized surplus on the revaluation of property, plant and equipment less consolidation adjustments to account for the acquisition of Barita Unit Trusts Management Company in the Group financial statements.

28. **FAIR VALUE RESERVE:**

This represents the unrealized surplus or deficit on the revaluation of investment securities at FVPL, FVOCI and stock exchange seat.

29. **CAPITAL REDEMPTION RESERVE:**

This reserve arose on the redemption of preference shares during the 2014 financial year.

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30. **DIVIDENDS:**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Distribution to ordinary stockholders: | | |
| $0.11 per stock unit | - | 49,046 |
| $0.82 per stock unit | - | 365,619 |
| $2.216 per stock unit – proposed (2019: $1.267) | 1,828,207 | 897,235 |
| | 1,828,207 | 1,311,900 |
| Less: Dividend paid on treasury shares | ( 13,572) | ( 15,449) |
| | 1,814,635 | 1,296,451 |

31. **EFFECTS OF CHANGES IN ACCOUNTING POLICIES:**

The group has adopted IFRS 16, 'Leases', for the financial year ended 30 September 2020 which resulted in a change in the group's accounting policies. The standard is adopted retrospectively from 1 October 2019, however the group has chosen not to restate comparatives and therefore, the revised requirements are not reflected in the prior year financial statements. This resulted in an adjustment of $8,572,000 to the group and the company opening retained earnings. The new accounting policies are disclosed in note 3(f) and 3(g). Details of the impact of this standard are given below.

Effective 1 January 2019, IFRS 16 has replaced IAS 17, 'Leases', and IFRIC 4, Determining whether an arrangement contains a lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value (US$5,000). IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

**Transition Method and Practical Expedients Utilised**

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;

# BARITA INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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31. **EFFECTS OF CHANGES IN ACCOUNTING POLICIES (CONT'D):**

**Transition Method and Practical Expedients Utilised (cont'd)**

(c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and

(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As a lessee, the group previously classified leases as operating based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the group recognizes a right-of-use asset and lease liability for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the group recognised right-of-use assets and lease liabilities as follows:

| Classification under IAS 17 | Classification under IFRS 16 | |
|---|---|---|
| | Right-of-use asset | Lease liability |
| Operating leases | Measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. | Measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as at 1 October 2019. The group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 6%. |

**BARITA INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

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32. **IMPACT OF COVID-19:**

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on 11 March 2020 and the Government of Jamaica declared the island a disaster area on 13 March 2020. The pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices. In light of the heightened concerns and in accordance with the directives of the various governments, the group activated its Business Continuity Plan to minimize the potential exposure to staff and clients, whilst ensuring that any disruption to the business is kept at a minimum. With the launch of the Business Continuity and Contingency Plan ("BCCP"), as at 30 September 2020, specific work from home protocols were established and implemented to minimize the number of employees physically in office. In-office staff are equipped with hand sanitizers, masks and face shields (where necessary), and are required to comply with the social/physical distancing rules mandated by governments in the various jurisdictions.

The company continues to monitor the impact of COVID-19 on its members/customers and has implemented stringent measures focused on frequent monitoring of the investment market and asset prices, to determine if any action would have been required to protect the group's financial position.

The company ensures that its locations remain compliant with government/public health restrictions and attendant mitigating measures.

Management continues to review the effect of developments arising from the pandemic on the risks faced by the group. Management believes the group is in a sufficiently strong position to deal with the possible significant economic downturn. However, management is aware that a long duration of the pandemic and the associated containment measures could have a material adverse effect on the group, and its customers, employees and suppliers.

At the date of approval of these financial statements, the group has determined that there is minimal financial impact on the overall business operations.