Barita INVESTMENTS LIMITED

ANNUAL REPORT 2020

STAYING AHEAD GROWING WEALTH

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01 OUR STRATEGY & VISION

OUR VISION

Throughout Barita Investments Limited's (Barita or the Company) 43-year history, since being founded by Rita Humphries-Lewin, we have built our reputation on providing superior investment returns, exceptional customer service and being there for our clients and communities in the most critical times.

We remain undeterred and steadfast in this unprecedented environment and our actions and consistency during the global Novel Coronavirus (COVID 19) crisis reflect our commitment to **"making money work for you".**

The investing community has seen the success of Barita's vision of **"revolutionizing your relationship with money"** and rewarded this with an additional $13.5 billion in equity capital via an additional public offer (APO). This was the largest equity raise by a private sector company and largest APO ever listed on the Jamaica Stock Exchange (JSE), pushing Barita into the Top 10 largest companies listed on the JSE by market capitalization. Our priorities for 2021 are to continue to pursue our strategic focus, charging forward with the same vision and to deliver on our promise to investors and clients by:

01/

Increasing our investment banking underwriting capabilities

02/

Upgrading our technology platforms to market leading global standards

03/

Expanding our product offerings to cater to a wider range of investors

04/

Expanding our distribution footprint locally and regionally

05/

Further developing our talent, brand and operating capacity to maintain our trajectory

STRATEGY & FOCUS

Our vision of "revolutionizing your relationship with money" focuses on three business priorities driven by nine objectives.

BOLD

impactful growth

01/ **New marketing initiatives:** expanding the scope of marketing programmes to include Wealth and Institutional Investor segments

02/ **Increasing our distribution footprint:** expanding physically and digitally

03/ **Revenue diversification:** offering new products and growing our managed funds portfolio while expanding Investment Banking

SMART

brightest and the best team in the business

04/ **MoneyIQ:** unmatched industry insights for wealth creation, smarter offerings, empowered clients and winning at every level

05/ **Financial Braintrust:** timely market intelligence delivered by our industry-leading analysts and advisors

06/ **Talent Leaders:** our management team is the best in the industry

GAME CHANGERS

revolutionizing wealth accessibility

07/ **Smarter technology:** committed to frictionless customer experiences and efficient business processes

08/ **Social Media domination:** winning in the digital marketing space

09/ **Democratizing wealth:** levelling the investment playing field by demolishing barriers to wealth creation and offering accessible investment options supported by simple and clear financial advice

CORE VALUES

The 2x4 values we adhere to:

TEAM WORK

We promote creativity and innovation

01/ TALENTED: Smart people who are experts in the market, providing creative solutions and innovations.

02/ ENTREPRENEURIAL: We consistently challenge the status quo, bold enough to disrupt and revolutionize.

03/ AGILE: Rapid response, effective collaboration and total inclusion.

04/ MODERN: We're knowledgeable of, and responsive to, the ever changing customer preferences.

We deliver frictionless customer experiences

01/ WORLD-CLASS: Wonderful? Wow? ... It's that good we couldn't pick just one word.

02/ OBSESSIVE: We're not satisfied until you are. We definitely have Obsessive Customer Disorder.

03/ RELEVANT: Straight up! We'll give it to you straight. We deliver value we promised, not hype.

04/ K-O: An unparalleled Knockout experience that puts customers as top priority and never settles for the minimum.

BARITA BRAND PILLARS

Barita's brand is much more than a logo, a message or who we aspire to be – it's a reflection of who we already are - the core of our DNA.

In 2020, our message was to plainly show who we are, how we differ from the competition and to demonstrate the value we provide. Based on the findings of a recent brand perception survey conducted by LEEP Marketing canvassing 30 of Jamaica's top marketers, Barita was chosen as the most impressive brand.

At Barita, we are:

BOLD

SMART

GAME CHANGERS

Simply put, we've built our team with the **best and brightest minds in the industry.**

We blend **intel, innovation and insight with genuine interest in our communities,** helping us to create the results that best serve the heart of our business - our customers.

Tech with the Human Touch… that's our superpower.

02 NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Third Annual General Meeting of Barita Investments Limited (the "Company") will be held on Friday, April 23, 2021 at 10:00 a.m. at the AC Marriott Hotel, 38-42 Lady Musgrave Road, Kingston 5, in the parish of Saint Andrew or virtually in accordance with an order the Company expects to receive from the Supreme Court, to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. **To receive and consider the Directors' Report and Financial Statements for the year ended September 30, 2020, and the Report of the Auditors thereon.**

   Resolution 1
   "**THAT** the Audited Accounts together with the Reports of the Directors and the Auditors circulated with the Notice convening the Meeting be and are hereby adopted."

2. **To approve and ratify the Interim Dividend Payments and declare them final.**

   Resolution 2
   "**THAT** the interim dividend per stock unit of $2.216 paid on October 7, 2020 be treated on the recommendation of the Directors as the final dividend for the financial year ended September 30, 2020."

3. **Election of Directors.**
   Article 93 of the Articles of Incorporation provides that one-third of the Board or if the number is not three or a multiple of three then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are **Paul Simpson, Carl Domville and James Godfrey who** being eligible, offer themselves for re-election.

   The proposed resolutions are therefore as follows:

   Resolution 3 (a)
   "**THAT** Director **Paul Simpson** who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company."

   Resolution 3 (b)
   "**THAT** Director **Carl Domville** who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company."

   Resolution 3 (c)
   "**THAT** Director **James Godfrey** who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company."

4. **To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.**

   Resolution 4
   "**THAT** BDO, having agreed to continue to serve as Auditors, be and are hereby appointed Auditors of

Barita Investments Limited, to hold office until the conclusion of the next Annual General Meeting, at a remuneration to be fixed by the Directors of the Company."

5. To approve Directors' Remuneration

Resolution 5
"THAT the amount included in the Audited Accounts of the Company for the year ended September 30, 2020 as remuneration for their services as Directors be and is hereby approved."

6. To consider any other Resolution(s) in respect of any other business which can be transacted at an Annual General Meeting.

Dated this 28th day of January 2021
By Order of the Board

Malindo Wallace
Company Secretary
Registered Office
15 St. Lucia Way
Kingston 5

Please note - A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint one or more proxies to attend and on a poll to vote in his stead. Such proxy must be lodged at the Company's Registered Office no less than forty-eight hours before the time appointed for the meeting. The Proxy Form shall bear the stamp duty of J$100.00. A proxy need not be a member. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy Form. A suitable form of proxy is enclosed for convenience.

03 OUR BUSINESS AT A GLANCE

OUR BUSINESS IN BRIEF

Barita is a publicly traded company on the JSE, 74% owned by Cornerstone Financial Holdings Limited (Cornerstone) (formerly Cornerstone Investments Holdings Limited). Founded by Rita Humphries-Lewin in 1977, the Company has the distinction of being one of the oldest stock brokerages in Jamaica. The Barita Group (the Group) is made up of Barita Investments Limited and its subsidiary, Barita Unit Trusts Management Company Limited (BUT). The Company is licensed by the Financial Services Commission (FSC), is a member dealer of the JSE and is a Primary Dealer and Cambio Dealer for the Bank of Jamaica (BOJ).

> **“Barita, home of Jamaica’s top performing equity fund - has a legacy of excellence, recognized as a particularly strong player in the middle market retail segment and a leader in Unit Trust performance.”**

Products and services include:

- Cambio Trading
- Fixed Income Trading
- Stock Brokerage
- Pooled Funds Management
- Structured Products
- Retirement Planning
- Wealth Management
- Investment Banking

Through BUT, the Group currently offers six unit trust products spanning fixed income, equities and real estate.

Barita serves its clients island-wide through its Head Office in Kingston and branches in Mandeville and Montego Bay. The Barita Group currently handles over $290 billion of funds, with a team of 142 members across its operations island-wide.

ABOUT CORNERSTONE - THE PARENT COMPANY

Cornerstone is a privately held investment holding company founded with the objective of building a sustainable investment platform with intergenerational applications and a focus on driving shareholder value, economic growth, transforming lives and helping to shape the future. The Cornerstone shareholder group is comprised of 'captains of industry' across the Caribbean.

Cornerstone focuses on providing its shareholders exposure to a group of value oriented, scalable, complementary financial services companies committed to continuously challenging the status quo by delivering unparalleled, frictionless stakeholder experiences through innovation.

Cornerstone's preferred investment ethos has been to prudently manage risk adjusted returns through partnering with the principals of its target portfolio companies, which has to date resulted in accretions in post investment valuations through added scale and synergies.

Cornerstone is obsessed with the creation of sustained differential value for its stakeholders through the effective deployment of human and financial capital throughout its portfolio companies.

Cornerstone is the brainchild of Paul Simpson, who is the Founder, President and Chief Executive Officer of the group. Mr. Simpson is an Investment Banker with over a decade of diverse experience across various senior executive and governance roles in organizations spanning the globe. He has a track record of driving transformational growth through entrepreneurship, value creation, mergers & acquisitions, founding successful local and regional companies, and guiding portfolio companies from launch to full actualization of their intrinsic values. He is also involved with several philanthropic engagements.

As the parent of Barita, Cornerstone is involved in charting and enabling the strategic plans and direction of the Company. This has been made possible through the assistance of an exceptional team of professionals who each bring astute specialized skills and expertise to their key areas of responsibility. Importantly, as Cornerstone seeks to achieve its mandate of developing an integrated financial services group, several governance and risk management roles have been consolidated within the Cornerstone group. These centralized roles include Risk Management, Financial Reporting, Investment Management, Legal, Compliance, and Strategy.

PAUL SIMPSON
FOUNDER, PRESIDENT & CEO

Jason Chambers MSc.

Chief Investment Officer

Jason has over 19 years of experience, spanning the range of securities trading, investment and treasury management, corporate finance, and corporate banking. Most recently, Jason held the position of Vice President of Investment Management at the GraceKennedy Group. Jason also headed the Corporate Banking Unit within First Global Bank Limited and was also a member of the senior management teams of the securities dealing subsidiaries of Guardian Holdings and GraceKennedy. Jason is a graduate of the University of the West Indies, where he obtained a Bachelor of Science degree in Economics, he also obtained a Master of Science degree from the University of London.

Gavin Jordan MSc., CPA

Chief Operating Officer

Gavin has a wealth of financial expertise and experience. Prior to his role at Cornerstone, he was the CFO for GraceKennedy Foods (USA) and Divisional CFO, GK Foods before that. At GK Foods, Gavin provided financial leadership to the subsidiaries in the Foods Division both locally and internationally; supported the development of the division's strategy and the evaluation of various strategic initiatives. Gavin was also Finance Director and Company Secretary of Carreras and CFO of First Global Bank, where he was ultimately responsible for the day to day operations of the accounting and financial reporting functions. Gavin holds a Bachelor of Science degree in Accounting and Economics from the University of the West indies, a Master of Science degree in Financial Management from the University of London, and is also a Certified Public Accountant. He is a member of the American Institute of the Certified Public Accountants and the Colorado State Board of Accountancy.

Weldon Maddan MBA, CFA

Chief Strategy and Business Intelligence Officer

Weldon has over 17 years of international banking experience at senior executive levels with Citigroup (Retail Banking, Credit Cards, and Consumer Lending) with assignments in US, Canada, UK and Poland. He has held CFO responsibilities for Online Marketing, Citi Partners, Customer Contact Leveraging and the Customer Segment Delivery business unit at Citi Cards, where the porfolio under his responsibility was in excess of US$10 billion. His work experience spans Decision Sciences, Finance, Marketing, Risk and Operations. He served as Secretary for the Jamaica Bankers Association and Chairman of the Jamaica Institute of Financial Services between 2016 and 2018. Weldon received a BS in Engineering from Boston University, an MBA in Finance from Columbia Business School and earned his Chartered Financial Analyst designation in 2007.

Dane Brodber CFA, CAIA, FRM, MBA

Chief Risk Officer

Dane has over 17 years of experience in the financial services industry with extensive experience in Market Risk Management, as well as experience with Strategy, Business Intelligence, and Financial Analysis. Most recently, Dane held the position of Regional Director, Market Risk Management at Scotiabank, where he had responsibility for the measurement, monitoring and governance of market risk exposures throughout the English-speaking Caribbean. Dane earned undergraduate degrees in Mechanical Engineering and Economics and Business from Lafayette College and an MBA from the University of New Orleans. He earned the CFA Charter in 2006, the Financial Risk Manager (FRM) designation in 2007, and the Chartered Alternative Investment Analyst (CAIA) designation in 2019. Dane is the founding Vice President of CFA Society Jamaica and has been a CFA exam tutor at B&B University College since 2010 in the areas of Corporate Finance, Derivatives, and Quantitative Methods.

Malindo Wallace MBA, LLB, LEC

Group Legal Counsel & Chief Compliance Officer

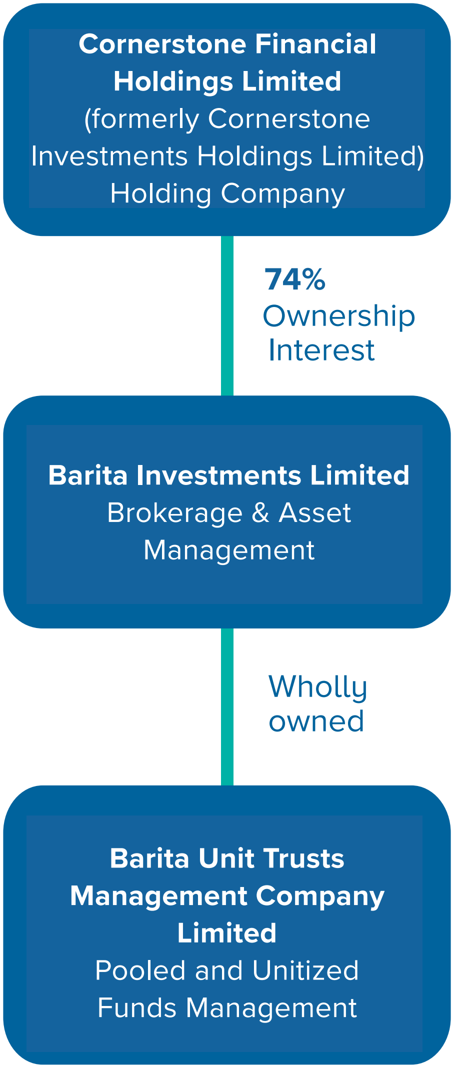
Malindo joined Cornerstone as Legal Counsel in April 2019 and in 2020 was promoted to Group Legal Counsel & Chief Compliance Officer, where she has responsibility for the legal, compliance and corporate secretarial functions. Prior to joining Cornerstone, she held several key roles at GraceKennedy Limited, including Legal Officer, Senior Manager, Treasury & Corporate Finance, and Treasury Manager. Prior to that Malindo was employed to Capital Options Limited as Corporate Finance Manager. Malindo has extensive banking experience having worked with NCB as well as Capital & Credit Merchant Bank. Malindo holds a B.Sc. in Management and Accounts from the UWI and an M.B.A in Finance from Manchester Business School. She also attained her LLB from the University of London and her LEC from the Norman Manley Law School.

Stephen Phillibert MBA, CFA

Chief Financial Officer

Stephen has recently joined Cornerstone as Chief Financial Officer. In this capacity he is responsible for the financial operations of the group, including financial reporting in accordance with regulatory requirements, capital and operational budgeting, tax management and financial controls. Stephen provides support on projects of strategic significance. Prior to joining the group, Stephen held a number of senior roles during a combined tenure of approximately 16 years with two other well-known Jamaican corporate entities, primarily in the areas of finance, strategy and mergers & acquisitions. He holds an MBA from the University of Toronto as well as the Chartered Financial Analyst designation.

CORPORATE STRUCTURE



PERFORMANCE HIGHLIGHTS

01/

STRONG EQUITY BASE GROWTH:

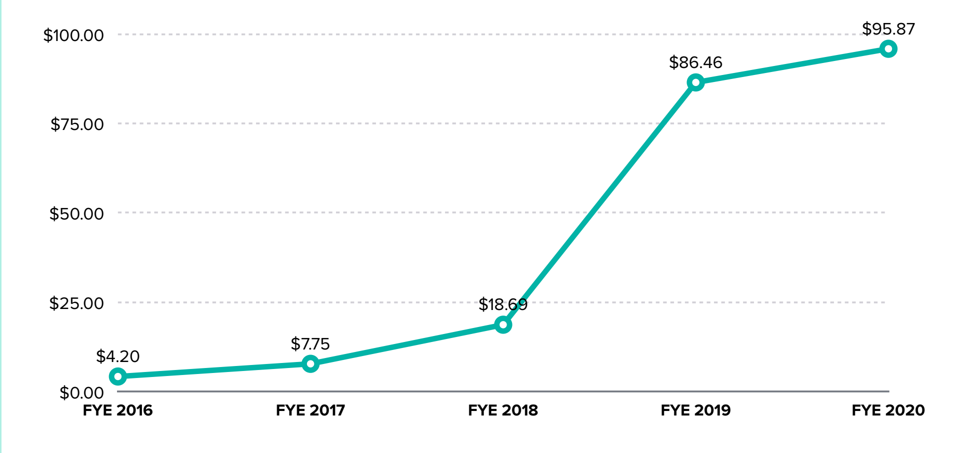
Barita successfully raised an additional $13.5 billion in equity from our APO despite the COVID 19 pandemic's negative effects on the market, demonstrating the confidence the market has in the Barita brand and the expertise of the team.

02/

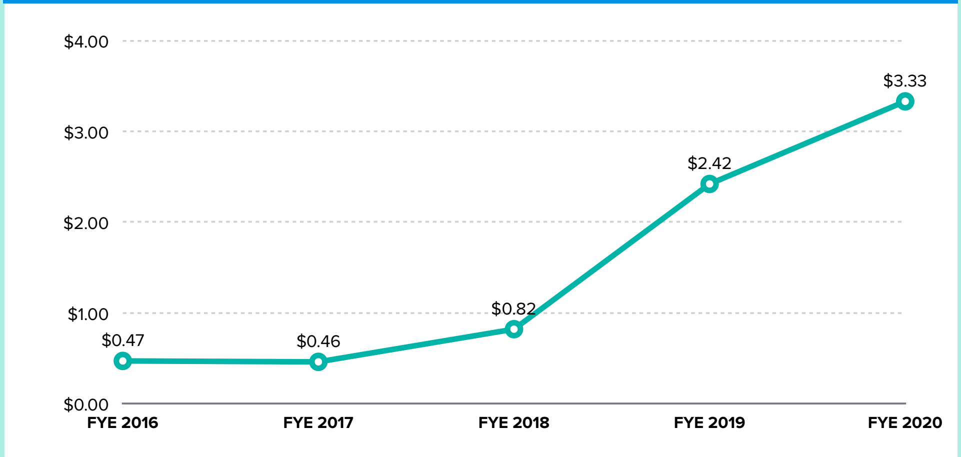
CONTINUED SHAREHOLDER VALUE THROUGH CAPITAL APPRECIATION:

For financial year 2020 (FY20), Barita's share price increased by 10.88% when compared to the JSE's Main Market, which decreased by 26.61% during the financial year.

SHARE PRICE



EPS



FINANCIAL HIGHLIGHTS

TOTAL ASSETS
$70.7 BILLION ↑ 72%

NET PROFIT
$2.8 BILLION ↑ 61%

STOCKHOLDERS' EQUITY
$27.5 BILLION ↑ 101%

NET OPERATING REVENUE
$5.3 BILLION ↑ 31%

EPS
$3.33 ↑ 38%

BVPS
$24.39 ↑ 71%

5-YEAR STATISTICAL REVIEW

Consolidated Income Statement	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000
Net interest income	366,053	286,871	422,288	650,999	882,589
Fees & commission income	343,553	475,726	505,210	693,273	1,827,376
Dividend income	25,554	20,590	31,779	30,670	8,677
Foreign exchange trading & translation gains	96,390	45,479	187,945	353,503	978,451
Gain on sale of investments and trading profits	179,284	259,320	136,454	1,873,298	1,412,958
Other income	6,613	21,996	20,987	378,031	103,918
Net Operating Revenue	**1,017,447**	**1,109,982**	**1,304,663**	**3,979,774**	**5,213,969**
Non-Interest Income	651,394	823,111	882,375	3,328,775	4,331,380
Non-Interest Income/Net Operating Revenue	64%	74%	68%	84%	83%
Operating Expenses					
Staff costs	340,486	340,584	385,410	553,550	846,090
Administration	324,275	337,504	375,566	896,738	1,151,116
Impairment of available-for-sale investment	4,692	100,159	-	75,162	110,794
Total Operating Expenses	**669,453**	**778,247**	**760,976**	**1,525,450**	**2,108,000**
Share of loss of investment in associated company	6,915	-	-	-	-
Profit before tax	341,079	331,735	543,687	2,454,324	3,105,969
Taxation	133,863	128,715	180,446	741,543	347,440
Net Profit	**207,216**	**203,020**	**363,241**	**1,712,781**	**2,758,529**

Consolidated Statement of Financial Position Summary	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000
Assets					
Cash and bank balances	339,863	429,123	333,685	787,920	5,277,608
Resale agreements	2,685,639	3,387,706	3,935,491	14,678,974	8,039,603
Investment Securities	3,938,843	2,526,849	3,503,728	11,042,562	13,939,095
Pledged Assets	6,436,290	8,030,640	9,883,136	10,928,445	35,425,728
Receivables	538,708	679,196	437,019	748,517	2,986,408
Taxation Recoverable	1,050	3,614	6,701	-	183,299
Loans receivables	424,541	354,558	403,064	751,846	1,717,229
Due from related companies	55,714	76,813	72,096	1,624,584	1,979,035
Property, plant and equipment	228,078	269,364	243,533	353,275	609,821
Intangible Assets	67,948	34,192	9,090	33,531	18,399
Investments	55,000	55,000	55,000	55,000	55,000
Investment Property	-	-	-	-	203,400
Right-of-use assets	-	-	-	-	256,588
Total Assets	**14,771,674**	**15,847,055**	**18,882,543**	**41,004,654**	**70,691,213**

Consolidated Statement of Financial Position Summary Cont'd	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000
Liabilities					
Bank overdraft	-	15,339	311	71,819	8,720
Short term loans	-	-	-	-	611,947
Repurchase agreements	11,471,723	12,030,842	14,362,540	24,092,810	34,446,619
Lease liability	-	-	-	-	282,298
Payables	409,581	563,923	814,647	1,739,686	6,970,314
Due to related parties	24,391	5,776	8,348	77,711	273,744
Taxation payable	55,175	96,280	44,612	730,500	-
Deferred tax liabilities	316,533	358,983	586,014	622,850	616,891
Total Liabilities	**12,277,403**	**13,071,143**	**15,816,472**	**27,335,376**	**43,210,533**
Shareholders' Equity					
Share capital	736,304	736,304	740,427	10,699,381	24,146,554
Capital reserves	69,799	93,133	93,133	111,466	111,466
Fair value reserves	500,551	604,884	910,697	685,248	25,054
Capital redemption reserve	220,127	220,127	220,127	220,127	220,127
Retained earnings	967,490	1,121,464	1,101,687	1,953,056	2,977,479
Total Shareholders' Equity	**2,494,271**	**2,775,912**	**3,066,071**	**13,669,278**	**27,480,680**
Total Liabilities and Shareholders' Equity	**14,771,674**	**15,847,055**	**18,882,543**	**41,004,654**	**70,691,213**

Ratios & Share Information	2016	2017	2018	2019	2020
Net profit margin	**20.4%**	**18.3%**	**27.8%**	**43.0%**	**52.9%**
Operating expense/Net operating revenue	66%	70%	58%	38%	40%
Effective tax rate	39.2%	38.8%	33.2%	30.2%	11.2%
Return on average equity	9.5%	7.7%	12.4%	20.5%	17.8%
Return on average assets	1.5%	1.3%	2.1%	5.7%	4.9%
Earnings per share	$0.47	$0.46	$0.82	$2.42	$3.33
Book value per share	$5.64	$6.28	$6.94	$15.56	$24.39
Share price	$4.20	$7.75	$18.69	$86.46	$95.87
Dividends paid ($'000)	49,050	49,046	114,117	399,216	877,090

04 GOVERNANCE

MESSAGE FROM OUR CHAIRMAN

The onset of the pandemic occasioned by COVID 19 has significantly uprooted several norms which have been the substance of our lives. Several businesses are struggling, and some have failed, while others have been able to pivot and thrive in the face of significant structural shifts. One common thread holds true: great uncertainty persists as to the exact path and timing of sustainable recovery of global economies from this crisis and, in particular, Jamaica. These are the times that require steely determination and decisive leadership. Given this backdrop, I am exceptionally pleased that the Cornerstone and Barita teams rose to the challenge and delivered a strong performance for its financial year ended September 30, 2020.

MARK MYERS
CHAIRMAN

Notwithstanding one of our nation's most severe economic contractions, the Barita Group managed to continue its robust growth during FY20, adding talent, expanding our earnings base and raising capital in a period of heightened fear in the local and global capital markets. Of particular note, the Company was able to complete a landmark transaction on the JSE, successfully raising $13.5 billion via the largest additional public offering in the history of the JSE. This capital raise has significantly strengthened the Company's capacity for growth and propelled Barita to become the largest securities dealer in Jamaica by measure of Shareholders' Equity, which stood at $27.5 billion at the end of FY20, relative to $13.7 billion at the end of the financial year 2019 (FY19).

Coming into FY20, on the back of the $5.2 billion Rights Issue in September 2019, the Company was fairly conservatively positioned. This was largely driven by a negative view on stretched equity valuations and the significant build-up in BBB credits, a large number of which could have been downgraded to junk even with a mild recession. Our negative outlook remained heading into the onset of the pandemic in early calendar year 2020, which allowed us to avoid some of the fallout in financial markets resulting from the pandemic. Our prudence and conservativism afforded the Company opportunities to both preserve and create value for our shareholders in the face of the volatility driven by the effects of the pandemic. Consequently, we ended the financial year with $2.7 billion in net profits after tax or a 61% increase relative to the last financial year's performance, with all four quarters of the financial year reflecting record performances for the Company. Additionally, we were pleased to still reward shareholders with over $1.8 billion ($2.216 per share) in dividends declared during what was a challenging year.

Our staff members continue to be our most valuable resource, as demonstrated by their strong performance during the peak of the crisis. We took every measure to ensure our clients and staff were safe during the period: we constituted a COVID 19 Task Force, led by Paul Simpson, our Deputy Chairman, and in addition to this Task Force, we were guided by our robust business continuity plan.

Our operating efficiency ended the financial year at 40%, which increased slightly over the last financial year. We remain vigilant in our quest to improve efficiency and productivity throughout the Barita Group.

We know of the many hardships that the COVID 19 pandemic has caused among scores of Jamaicans, and because of that, we contributed approximately $51 million to various communities during the period. Additionally, during our APO we reserved 4,591,838 shares for small investors and 9,045,228 shares for hotel-workers, farmers and civil servants collectively. We are committed to nation-building by helping the vast number of communities that support our business either directly or indirectly. As we continue to grow, we look forward to contributing even more to those communities.

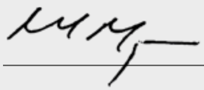
OUTLOOK

Major economists seem to have a consensus view that the global economy may be on course for a rebound in the second half of 2021 on the back of increased vaccine distributions globally. Notwithstanding the phased distribution of vaccines in many advanced economies, and evidence of some degree of economic recovery, we still see a high degree of uncertainty in 2021 for risk assets, given already elevated prices. Global liquidity remains elevated, given developed economies' strong fiscal spending to manage the economic fallout and accommodative monetary policies are also likely to support risk assets in the short term. However, the longer-term implications of artificially low-interest rates on risk assets remain uncertain.

Locally, our economy is likely to lag the global recovery; although there are signs of a turnaround, a meaningful economic rebound may come only later into 2022. This view is mostly premised on the expectation that our tourism occupancy levels may not return to pre-COVID 19 levels before 2023.

Jamaica's ongoing macroeconomic reform has provided the economy with a great degree of absorptive capacity for economic shocks, a factor which is expected to play a supportive role in bringing about an economic rebound. Within this context, and notwithstanding the challenges ahead, we believe in our capabilities to maximize shareholders' return and ultimately achieving success for our stakeholders in financial year 2021 (FY21).

In closing, we thank our dedicated team members, valued clients and shareholders for their unwavering support, which continues to anchor the Company's success.



Mark Myers
Chairman

BOARD OF DIRECTORS

Mark Myers

CHAIRMAN

An astute businessman, Mr. Myers is the Managing Director of Restaurants of Jamaica Ltd. Mr. Myers holds a Bsc degree in Operations, Transportation and Distribution management from Syracuse University's School of Management. A believer in contributing to the development of his country, he has served on several boards to include the Bank of Jamaica, JAMPRO (Jamaica Trade and Invest) and the Jamaica Observer Limited.

Paul Simpson

DEPUTY CHAIRMAN

Mr. Simpson is the Founder, President and CEO of Cornerstone. He is an Investment Banker with over 14 years experience having worked in the Caribbean, the United States and Europe in various roles. He holds a double major in Computer Science and Geology and an MBA from the University of the West Indies. He has served on various government, private and charity boards including the Youth Arm of UNESCO, YMCA and the Jamaica Tourist Board, where he was the Chairman of the Finance and Audit committee.

Rita Humphries-Lewin C.D.

DIRECTOR (retired January 27th 2021)

Mrs. Humphries-Lewin has been at the forefront of Jamaica's stock broking industry for over 45 years and is the Founder and Former Chair of Barita Investments Limited. As the first female Chair of a stock exchange in the Caribbean, she led the JSE in 1984 and again during 1995-2000. During her tenure, she spearheaded the establishment of the JCSD in 1998 and the development of electronic trading on the JSE in 2000. Her sterling contribution to the development of the island's Financial Industry led to her being conferred with The Order of Distinction Commander by the Government of Jamaica in the year 2000. She was honoured with a Doctor of Education in Leadership by Mico University College, for her contribution to early childhood development. Mrs. Humphries-Lewin is the Business Lifetime Achievement Award recipient for the Gleaner Honour Awards 2016.

Carl Domville

DIRECTOR

Mr. Domville is the former Chief Operating Officer and Group Treasurer of the Seprod Group of Companies. A Chartered Accountant. he currently serves as a Director of Radio Jamaica Limited (RJR); The Gleaner Company Limited and is also a Trustee of the Seprod et al Superannuation Scheme. He is also a former President of the Jamaica Cooperative Credit Union League Limited.

Duncan Stewart
DIRECTOR

Mr. Stewart is the General Manager of Stewart Motors Ltd. and he is also involved in leading related family businesses, Stewart's Auto Sales Ltd. and its affiliated companies, Stewart's Auto Paints Ltd., Tropic Island Trading Company Ltd. and Silver Star Motors Ltd. Duncan is also a director of the Automobile Dealers Association and the Richard and Diana Stewart Foundation. Currently, he is a sponsor of the family charity, Kind Hearts, which is run by his children and their cousins.

James Godfrey
DIRECTOR

Mr. Godfrey is the Co-Founder and Managing Director of S&G Road Surfacing Materials Ltd. With over 30 years entrepreneurial experience, Mr. Godfrey has built the entity into one of Jamaica's leading asphalt manufacturing and road work solutions companies. Since its inception, S&G Road Surfacing Materials Ltd.'s portfolio of completed projects includes parking lots, driveways, multipurpose courts, roadways, roundabouts and related infrastructure projects in partnership with National Works Agency, Gore Development Limited and China Harbour Engineering Corporation.

Phillip Lee

DIRECTOR

Phillip Lee is Group Managing Director for the companies owned and operated by the Lee family. These include Labels & Boxes Ltd. and Rotoflex Jamaica Ltd. which are the leading manufacturers of labels and packaging material in Jamaica. Phillip Lee has over 30 years of experience in the industry and his companies supply many of the largest Jamaican manufacturers including GraceKennedy Ltd., Red Stripe and Salada Foods Jamaica Ltd. He has been involved in numerous successful packaging projects for these companies and continues to be consulted by the owners of major brands for his expertise.

Robert Drummond

DIRECTOR

Mr. Drummond is a business executive and management consultant with over 30 years of experience leading and advising organizations through major strategic transformations. He has held executive appointments at prominent companies in Jamaica and the US, including First Global Financial Services Limited, NIKE, American Express and ITT Sheraton. As a strategy implementation specialist, he has contributed significantly through his research and publications including “Managing Resistance to Change” and “Organizational Turnarounds”. He holds an MBA from Harvard Business School.

Jason Chambers

DIRECTOR

Jason has over 19 years of experience, spanning the range of securities trading, investment and treasury management, corporate finance, and corporate banking. Most recently, Jason held the position of Vice President of Investment Management at the GraceKennedy Group. Jason also headed the Corporate Banking Unit within First Global Bank Limited and was also a member of the senior management teams of the securities dealing subsidiaries of Guardian Holdings and GraceKennedy. Jason is a graduate of the University of the West Indies, where he obtained a Bachelor of Science degree in Economics, he also obtained a Master of Science degree from the University of London.

Matthew Hogarth

DIRECTOR

Mr. Matthew Hogarth has been appointed to the Board of Barita effective January 2, 2020. Mr. Hogarth brings significant expertise in corporate governance given his current roles as Chairman of the Corporate Governance Committees of both the Jamaica Stock Exchange Limited and Carreras Limited. Mr. Hogarth is also a Partner at MH&CO, specializing in the areas of banking, finance, mergers and acquisitions, corporate structuring and governance, taxation, trusts, real estate and business advisory. Mr. Hogarth is called to the Bar in New York, Jamaica, the BVI, Barbados, and Saint Lucia.

CORPORATE GOVERNANCE

INTRODUCTION

The Directors of Barita Investments Limited have, over the last fiscal year, continued their efforts to grow the business since the acquisition of the Company. This has included a deliberate focus on enhancing the Company's corporate governance infrastructure to ensure continued compliance with applicable laws, regulations and international best practices and recent business trends. These initiatives were concretized by the establishment of the Corporate Governance & Conduct Review committee in January 2020.

The Company appreciates that strong corporate governance policies and procedures are fundamental to engendering and maintaining the trust and confidence of its shareholders and stakeholders. These serve as part of the foundation for sustainable long-term success as the Company implements its various strategic initiatives within the Company's risk appetite and tolerance levels.

OUR GOVERNANCE FRAMEWORK

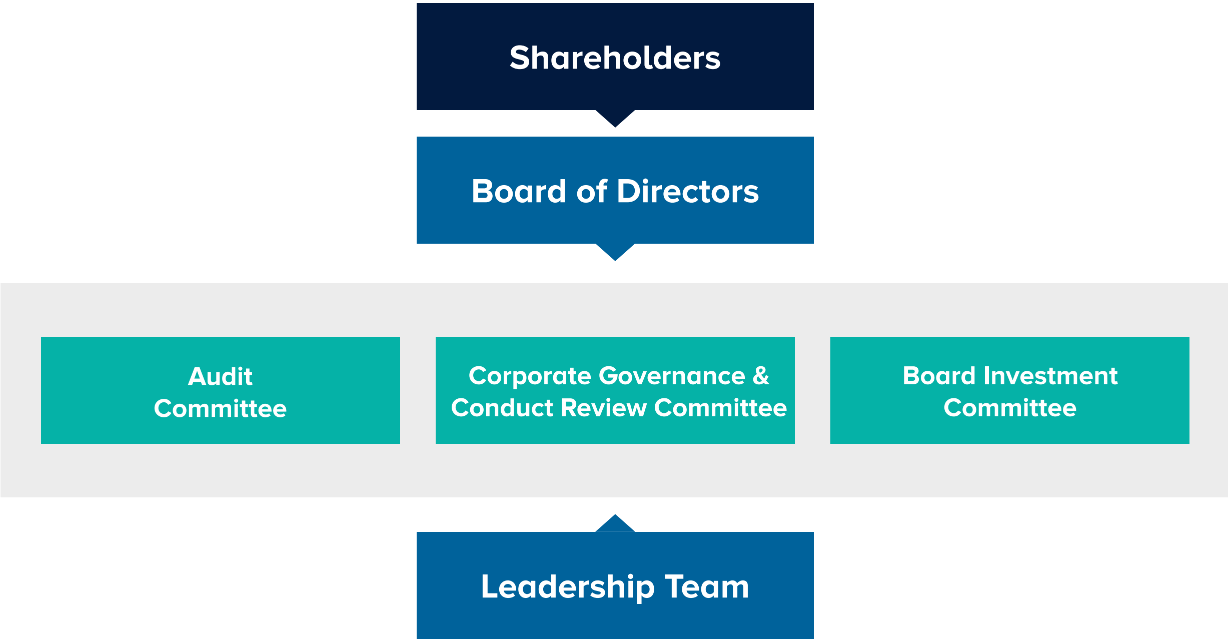
The Company's corporate governance framework provides the guiding principles, policies and procedures within which the Company operates, thereby lending transparency to its engagement with its shareholders and stakeholders ("Framework"). The Company is therefore committed to operating within the highest standards of governance consistent with relevant laws, regulations, guidelines and international best practices.

The Corporate Governance policies of the Company are overseen by the Corporate Governance & Conduct Review committee alongside clear and robust guidelines to inform management and staff.

The Framework lends itself to, among other things,

- the timely disclosure and dissemination of information;
- detailed review of the execution of strategies;
- the stewardship of the organization's assets;
- the management of risk to meet legal and regulatory compliance; and
- ensuring compliance.

The Company's governance structure guides the strategy and objectives and is the nexus for all the relevant stakeholder relationships starting with the shareholders.



RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors comprises a diverse group of successful entrepreneurs and professionals who have excelled in their fields or business. They are persons who are independent minded, have demonstrated capabilities in managing businesses, are fearless in speaking their minds, and ensuring that the interests of shareholders are protected as they exercise their fiduciary responsibility with due care, judgment, diligence, skill and transparency. As the nerve center of the Company's operations the Board defines and maps out the strategic course for the Company and supervises the work of the Leadership Team while management undertakes the day-to-day functions of the Company.

In accordance with its mandate the Board's responsibilities include the following critical duties and functions:

OVERALL RESPONSIBILITIES OF THE BOARD AND COMMITTEES		
Governance	• Overseeing and approving the development of the Company's approach to corporate governance principles and guidelines consistent with regulatory requirements and international best practices.	• Ensuring adherence with corporate governance policies and guidelines and code of conduct as well as regulatory and statutory requirements.
Strategy	• Assisting with the development of the Company's vision and mission. • Overseeing the implementation of the Company's strategic plan and the organizational structure.	• Reviewing and approving the Company's business plans and forecasts and reviewing actual performance against forecast/budgeted plans.
Financial Performance	• Evaluating financial results and ensuring that they are produced in keeping with international accounting standards so as to give a fair and accurate report of the Company's performance.	• Agreeing on the objectives of the Managing Director/ General Manager and reviewing their performance.
Human Resources	• Retaining the authority to appoint and remove the Managing Director/General Manager as well as executives.	• Ensuring the development of a succession plan for the Managing Director/General Manager and other senior executives.
Risk Management	• Approving the Company's risk framework and policies and ensuring alignment with the Company's business strategy and goals.	• Identifying the principal business risks and ensuring the implementation of appropriate systems to mitigate and manage the key risks and to enable compliance with policies.
Internal Controls	• Assessing and reviewing the adequacy/ integrity of internal systems and controls generally.	• Evaluating and reviewing the adequacy of the Company's compliance with applicable laws, rules and regulations.
Communications	• Reviewing the Company's communications programme/framework to ensure the dissemination of information and required disclosures in a timely and fulsome manner to stakeholders.	• Ensuring the development of infrastructure to facilitate timely and accurate disclosure of information required to be disclosed.

DEFINITIONS

Particulars	Definitions
“Cornerstone Entities”	Cornerstone United Holdings Jamaica Limited and/or Cornerstone Financial Holdings Limited
“Director” or “Directors”	The person(s) who are member(s) of the Board of the Company
“Executive Director” or “ED”	A director who is part of the current management of the Barita Group, and/or Cornerstone Entities (including a company affiliated to the Cornerstone Entities)
“Independent Director” or “ID”	A Director who: • does not have control or a Substantial Shareholding • is not an employee of the Barita Group or Cornerstone Entities and has not been within the last three (3) years • is not a significant shareholder and is not a close relative of a shareholder with substantial shareholding • has not received and does not receive additional remuneration from the Company apart from a Director’s compensation and does not participate in a performance related pay scheme • does not represent a shareholder with Substantial Shareholding • has not had, within the last three (3) years, a material business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has such relationship with the Company
“Non-Executive Director” or “NED”	A director who is not part of the current management of the Barita Group or that of the Cornerstone Entities
“Substantial Shareholding”	Minimum shareholding of five percent (5%) or more held in the Company

BOARD STRUCTURE & EXPERTISE

CHAIRMANSHIP

The Chairman, Mr. Mark Myers, is an Independent Non-Executive Director, whose primary role is the effective leadership, conduct and governance of the Board’s affairs and that of its committees. As an independent non-executive Chairman he brings a greater level of independent oversight to the role and allows for increased accountability from management. As managing director of the largest fast-food chain in Jamaica, he has years of experience crafting and implementing strategy at the highest level and is well equipped and qualified to lead the Board and ensure that management delivers on their objectives. In addition to chairing Board Meetings he also leads all General Meetings of shareholders.

COMPOSITION

As at September 30, 2020, the Board of Barita Investments Limited consists of ten (10) members, which is the maximum number of directors allowed under the Company's Articles of Incorporation. Six (6) of the directors are Independent Directors. The high percentage of independent directors allows for all of the Company's committees to be chaired by independent directors.

APPOINTMENT, TERM ELECTION & RETIREMENT

Under the Articles of Incorporation of the Company at least one-third of the Directors are required to retire each year at the Annual General Meeting but are eligible for re-election by the shareholders on the recommendation of the Board. Any director employed to the Company shall cease to be a director upon termination of any employment contract with the Company. Directors Mr. Paul Simpson, Mr. Carl Domville and Mr. James Godfrey retire by rotation all of whom being eligible will be recommended for re-election.

EXPERTISE/EXPERIENCE

New directors are selected based on the needs of the Company and any gaps in skill sets and expertise identified, relative to the existing talent available for the Board to draw on, as driven by the strategic focus at the relevant point in time. Consideration is given as to their reputation in their respective professions, proven skill and acumen, their honesty and integrity, and the time commitment to devote to the Board and work of the committees. The Board believes that the breadth of skill, knowledge and experience of the Directors is well balanced to provide the depth of critical thinking and relevant financial acumen required to support the business decision-making process.

Board Expertise

	Corporate Governance	Strategy	Financial Literacy	Financial Services	CEO Level Experience	Risk Management	Legal Expertise	Listed Company Experience	Information Technology
Mark Myers	●	●	●		●			●	
Paul Simpson	●	●	●	●	●	●		●	●
Duncan Stewart	●	●	●		●	●		●	
Robert Drummond	●	●	●	●	●	●		●	
Jason Chambers	●	●	●	●	●	●		●	
Rita Humphries-Lewin	●	●	●	●	●	●		●	
Carl Domville	●	●	●			●		●	
Phillip Lee	●	●	●		●			●	
James Godfrey	●	●	●		●			●	
Matthew Hogarth	●	●	●	●	●	●	●	●	

DEFINITIONS:

Corporate Governance - having an understanding of governance principles
Strategy - demonstrated experience in developing, implementing and delivering strategic objectives
Financial Literacy - ability to analyse and interpret financial statements
Financial Services - experience in banking and/or securities industries
CEO Level Experience - demostrated experience managing a business
Risk Management - proven ability in identifying, assessing and managing risks
Legal Expertise - proven ability and understanding in the application of legal principles
Listed Company Experience - at least one year's experience as a director of a listed company
Information Technology - experience in IT governance/technology strategies and innovation

BOARD & COMMITTEE ATTENDANCE RECORD

Board & Committee Members' Attendance Record	Classification	Board Meetings October 1, 2019 - September 30, 2020	Audit Committee October 1, 2019 - September 30, 2020	Board Investment Committee October 1, 2019 - September 30, 2020	Corporate Governance & Conduct Review Committee October 1, 2019 - September 30, 2020
Number of Meetings		**7**	**4**	**1**	**2**
Mark Myers	ID/NED	7	-	-	-
Rita Humphries-Lewin	NED	0	-	-	-
Carl Domville	ID/NED	7	4	-	2
Jason Chambers*	ED	5	-	1	-
Robert Drummond	NED	6	4	-	-
Duncan Stewart	ID/NED	7	4	1	-
Paul Simpson	ED	7	-	1	-
James Godfrey	ID/NED	6	-	-	-
Phillip Lee	ID/NED	7	4	-	2
Matthew Hogarth*	ID/NED	4	-	-	2

*Mr. Jason Chambers was appointed on December 24, 2019 while Mr. Matthew Hogarth was appointed on January 2, 2020.

BOARD COMMITTEES

The Board has delegated certain of its responsibilities to committees that are established to provide additional oversight with respect to specific governance matters. The Board has three (3) committees, namely the Audit committee, the Corporate Governance & Conduct Review committee and the Board Investment committee, with the latter two (2) being established during the financial year. The Chairman of each committee is responsible for reporting to the Board on the activities of the committee and making recommendations, as necessary or required, at each Board meeting.

AUDIT COMMITTEE

The Audit committee, in accordance with its terms of reference, is responsible for assisting the Board in overseeing the financial and operational reporting process, assessing the effectiveness of the internal controls and risk management systems as well as overseeing the external and internal audit process, including security and quality issues. The Audit committee also has responsibility for reviewing and approving policies and procedures which touch and concern its areas of responsibility as well as ensuring compliance with legal and regulatory requirements. It serves as a conduit between our internal auditors and the Board regarding the strengthening and maintenance of internal processes via internal controls and operating compliance. The Audit committee is comprised of four (4) members and is chaired by a member who has an accounting background. The majority of the members are Non-Executive Independent members. The members of the Audit committee are Mr. Carl Domville (Chairman), Mr. Robert Drummond, Mr. Phillip Lee, and Mr. Duncan Stewart.

There were no known incidences of fraud or any reported irregularities.

BOARD INVESTMENT COMMITTEE

The Board Investment committee is comprised of three (3) members: Mr. Duncan Stewart (Chairman), Mr. Paul Simpson and Mr. Jason Chambers. This committee has strategic oversight of the investment and funding activities of the Company as well as the management of the various risks inherent in these activities. Its responsibilities include:

- overseeing the development and maintenance of the investment policy and ensuring alignment of the investment policy with the Group's risk appetite, and the prevailing and expected business and economic climates;

- ensuring the adequacy of the governance structure of the investment processes of the Company as well as the various systems and internal controls designed to ensure the investment portfolios are managed according to the investment policy as well as within various internal and regulatory limits and guidelines;

- periodically reviewing the organization, strategy and effectiveness of the Company's investment function; and

- overseeing of the Company's funding strategy and policies to include but not be limited to matters surrounding share issuance or repurchase, debt issuances, dividend policy setting and the initiation or amendment of terms of revolving credit facilities.

CORPORATE GOVERNANCE & CONDUCT REVIEW COMMITTEE

The Corporate Governance & Conduct Review committee is comprised of three (3) members: Mr. Matthew Hogarth (Chairman), Mr. Carl Domville and Mr. Phillip Lee. The following areas fall under the purview of the Corporate Governance & Conduct Review committee pursuant to its terms of reference:

- Review of Board procedures to ensure compliance with international corporate governance best practices and business trends;
- Identify and manage conflicts of interest which may arise from transactions conducted with related parties;
- Engage an independent consultant to undertake board evaluation;
- Consider matters relating to the appointment, orientation, training, conduct, compensation and tenure of directors of the Board; and
- Ensure compliance with best practices of corporate governance.

Activities undertaken by the Committee over the reporting period:

During the reporting period, the Corporate Governance & Conduct Review committee embarked on the following activities (in brief):

1. Drafting and approving the Terms of Reference for the Corporate Governance & Conduct Review committee;
2. Reviewing relevant Company policies (including the Corporate Governance Policy);
3. Reviewing and benchmarking the Company’s formal reporting to shareholders and stakeholders;
4. Corporate Governance training;
5. Anti-Money laundering training;
6. Reviewing the Company’s Articles of Incorporation; and
7. Directors’ Evaluation.

GENERAL BOARD INFORMATION

DIRECTORS' TRAINING

Through the Corporate Governance & Conduct Review committee, the Board of Directors is provided with continuous education and training about matters which have a direct bearing on their competency and ability to effectively undertake their duties and responsibilities as well as about the business, product and macro-economic developments. In addition to the engagement of the directors by management on key strategic initiatives as well as general economic, global and market affairs and international developments as well as emerging trends, the Directors were exposed to the following training programmes:

- February 10, 2020 – AML & CFT Training by Albert Stephens;
- September 21, 2020 – Global & Local Corporate Governance by Greta Bogues and Julie Thompson-James;
- September 21, 2020 – Legislative & Regulatory Considerations by Julie Thompson-James; and
- September 21, 2020 – Corporate Governance Leadership by Greta Bogues.

DIRECTORS' COMPENSATION

The Directors' compensation includes a basic retainer and a fixed payment per meeting attended for both the Board and committees. The fees paid to Directors are not based on the performance of the Group, however the responsibilities and time commitment are taken into account. Additionally, Directors are reimbursed for travel and other expenses incurred in the performance of their role.

Board/Committee	Quarterly Retainer	Board Meeting Fee	Audit Committee Meeting Fee	Corporate Governance & Conduct Review Committee Meeting Fee	Board Investment Committee Meeting Fee
Board Chairman	$300,000	$40,000/meeting	-	-	-
Board Members	$300,000	$40,000/meeting	-	-	-
Committee Chairman & Members	$100,000	-	$20,000/meeting	$20,000/meeting	$20,000/meeting

BOARD EVALUATION

The Board believes that the success of the Company in delivering on its strategic plans and executing well hinges on the effectiveness of the Board of Directors and its committees in executing their functions. To ensure that it is being objective in assessing its effectiveness as it undertakes its functions the Board has conducted an evaluation of its performance during the financial year. The Board works with an external consultant in developing questions that cover a wide range of issues regarding the Board's effectiveness in undertaking its work.

The evaluation exercise assists Directors in reviewing and assessing their performance, the progress made over the last financial year, and development opportunities for the overall Board, committees and individual Directors.

The process involves conducting a Director's Self Evaluation and a Peer Review, in which each Director evaluates the other Directors, as well as a collective Board review. The independent consultant analyses the feedback and prepares a report which is submitted to the Board Chairman as well as the committee Chairmen. Each Director receives a report on himself/herself. All Directors receive comments on overall observations. The Chairman receives details of each Director's evaluation so he may determine whether any further steps are warranted or useful.

SHAREHOLDER ENGAGEMENT & COMMUNICATION

Shareholder engagement is an important component of our governance ethos and every effort is made to ensure that they have avenues and options to express and share their views and to engage the Company generally. Our website and social media allow Shareholders to engage with the Company. In addition marketing information and updates on the Company are posted on our website at www.barita.com.

The Annual General Meeting provides another means by which shareholders have the opportunity to interact with Directors. At the Annual General Meeting management provides an overview of the Company's performance over the financial year as well as insight into its strategic plans and direction. Shareholders have the opportunity to directly address both Directors and management on the Company's plans, performance and objectives. We also livestream our Annual General Meetings so that shareholders who are unable to physically attend can access the information provided despite their absence.

Shareholders can also express their views and ask questions by sending emails to questions@barita.com.

05 BUSINESS LEADERSHIP & OPERATIONS

MESSAGE FROM OUR GENERAL MANAGER

In the financial year ended September 30, 2020, we established our identity as **THE GAME CHANGER** in the Financial Services Industry. We refused to be defined by the COVID 19 pandemic and our diligent and resilient team did the work and produced game changing results.

Our mission and vision were re-crafted in the previous financial year and became entrenched in our strategy this year.

MISSION

STAYING AHEAD, GROWING WEALTH

VISION

WE WILL REVOLUTIONIZE YOUR RELATIONSHIP WITH MONEY

As we executed on our mission and vision, we proudly celebrate our single most important achievement this financial year; raising additional capital of $13.5 billion during the COVID 19 pandemic. This resulted in the doubling of our capital base, creating a solid foundation for the future. Barita now ranks as the fourth largest financial services entity in Jamaica by market capitalization. This amazing achievement undoubtedly demonstrated the confidence of investors and we are sincerely grateful to all our shareholders, including the 3,500 added in our APO.

As we set out to democratize wealth in Jamaica, we levelled the playing field by demolishing barriers to wealth creation and offered accessible investment options to everyone. We welcome aboard every front-line worker who availed themselves of our special share price offer and every new client of Barita. We look forward to serving you with additional investment options in the upcoming financial year.

We are pleased to let you know that Barita was recognized as the #1 brand in Jamaica in 2020. Our bold, unmistakable positioning as a brand has opened the gateway to numerous business opportunities both locally and regionally.

Other significant achievements this year include:

- Growth in Investment Banking earnings – **moving from $279 million to $523 million**
- Growth in Securities Trading Income - **moving from $651 million to $1.3 billion**
- **Recognition of our efforts –** winner for Best Website Member Dealer & 1st Runner up - Best Website Main Market at the Jamaica Stock Exchange Best Practice Awards held in December 2019
- Funds under Management increased by **60% from $182 billion to $290 billion**
- The launch of our new IPO platform BOSS (baritaboss.com)
- Maintaining our position as the dominant social media outfit in the financial services industry

Our achievements this financial year were buoyed by our ability to continue to contribute to the development of our nation. Our focus on education and the upliftment of our youth was done through the work of our Barita Education Foundation, through which we invested over $22 million in the improvement of literacy and numeracy skills while also improving the facilities of a partner school in Harbour View. Numerous contributions were made to other charities as we remain mindful of the need to support the less fortunate among us.

As we look ahead, the capital raised this year will assist us in the execution of our strategy which includes the following:

Increased Investment Banking underwriting capacity

Upgrading of our technology platform (which is already in progress)

The creation of new Unit Trusts and other investment products

The expansion of our branch network – additional locations will be opened in Montego Bay and New Kingston in early 2021

Operational improvements through a comprehensive Business Process Review

We mark 2019-2020 as another year of phenomenal success, a record-breaking year, as we raised the bar once again and achieved profit after tax of $2.8 billion, $1.0 billion more than prior year.

These achievements could not have been possible without the direction and guidance of our Directors, the unwavering support of our shareholders, the skillful guidance of our parent company Cornerstone, our loyal clients, and every single team member of Barita. We are grateful.

We are committed to Changing the Game and shifting the investment paradigm in the industry. We will do this through **innovation, compelling investment options and purposeful customer engagement.**

We look forward to Making Money Work for You in the year ahead!

With thanks,

Paula Barclay
General Manager

EXECUTIVE TEAM

Jason Chambers MSc.

Managing Director - Barita Unit Trusts Management Company Limited

Jason has over 19 years of experience, spanning the range of securities trading, investment and treasury management, corporate finance, and corporate banking. Most recently, Jason held the position of Vice President of Investment Management at the GraceKennedy Group. Jason also headed the Corporate Banking Unit within First Global Bank Limited and was also a member of the senior management teams of the securities dealing subsidiaries of Guardian Holdings and GraceKennedy. Jason is a graduate of the University of the West Indies, where he obtained a Bachelor of Science degree in Economics, he also obtained a Master of Science degree from the University of London.

Paula Barclay MBA

General Manager

Prior to joining the Group, Paula held several roles at the GraceKennedy Group including, Group Treasurer, Managing Director of First Global Leasing as well as General Manager, Chief Credit Risk Officer, Senior Vice President for Personal and Business Banking and Vice President of Corporate Banking at First Global Bank. At First Global Financial Services Limited she served in the Capacity of Vice President for Pension Fund Management and Vice President for Business Development. She also served on various boards and committees that governed the GraceKennedy Group. Paula holds an MBA from Barry University and has completed The Leadership Journey at The Wharton Business School.

Ramon Small-Ferguson CFA, FRM, CAIA

Vice President, Asset Management & Research

Ramon joined the Group from the Jamaica National Group where he was Chief Investment Strategist and Head of Research at the Group's investment subsidiary. His professional background spans the areas of Investment Research, Treasury & Portfolio Management and Investment Banking. He currently serves as a Director on the Investment Advisory Board of the Salvation Army Caribbean Territory, a member of the Board and the Chairman of the Audit & Finance of the Council of Voluntary & Social Services, the umbrella arm for charities in Jamaica, and is an Alternate Director of the Jamaica Stock Exchange. Ramon has earned the Chartered Financial Analyst (CFA), Chartered Alternative Investment Analyst (CAIA), and Certified Financial Risk Manager (FRM) designations. He also holds a Bachelor of Business Administration (BBA), Finance & Marketing (Hons) from the University of Technology, Jamaica.

Anmarie Walker-Cato MBA, ACCA

Group Financial Controller

Anmarie has spent much of her life cultivating expertise across multiple areas of finance and accounting. Today she stands as our Group Financial Controller, having also held the positions of Assistant Vice President, Finance at Proven Wealth Limited, Senior Manager – Financial Control at First Global Bank Limited (FGB) and so many more. A highly-qualified businesswoman, Anmarie holds a BSc in Accounting and Management Studies from UWI, an MBA from Florida International University (FIU) and is an ACCA-certified Charted Accountant.

Stephanie Murdock MSc., PMP, SMC

Senior Human Resources Executive

Stephanie joins us from the National Export Import Bank of Jamaica Ltd where she held the position of General Manager, Corporate Services with responsibility for Human Resources, Administration, Procurement and Information Technology. Prior, she was the Director, Human Resource Management at the Ministry of Foreign Affairs & Foreign Trade. With twenty years' experience in the areas of Strategic Human Resource Management, Change Management, Leadership Development and Industrial Relations, Stephanie pursued both undergraduate & graduate degrees at the University of the West Indies and Post Graduate Certification in Public Policy from Peking University, Beijing China, she also has the Project Management Professional (PMP) designation. In 2015, Stephanie was recognized as one of seven Jamaicans to participate in the Advanced Leadership Development Programme – Canada Caribbean Emerging Leaders Dialogue, sponsored by McGill University.

Sara Henriques MBA

Head, Operations

Sara joined Barita on October 1, 2020 as Head, Operations. Prior to joining Barita, Sara garnered a wealth of experience in Treasury & Asset Management Operations within the financial services sector. She holds an MBA and Bachelor of Science (BSc.) degree in Business Administration from the University of Technology both with a major in Finance.

Junior Graham MBA, MSc., PMP

Vice President, Information Technology

Junior is an Information Technology professional with over 15 years' experience managing Information Technology and Innovation. Prior to joining Barita he held the position of Group MIS Manager at the JMMB group. Junior has also held various positions at the GraceKennedy group including Project Management, Innovation and eBusiness. He is a certified Project Management Professional and holds an MBA In Finance from Manchester Business School and an MSc in network centred computing from Reading University.

Judith Najair MBA

Vice President, Operations (appointed Head, Product Development & Special Projects on December 1, 2020)

Judith joined Barita on January 2, 2020 as V.P., Operations. Prior to joining Barita, Judith garnered a wealth of experience in the financial services sector spanning Customer Service, Sales Management and Operations. She holds an Executive Master of Business Administration (EMBA) degree from the University of the West Indies (UWI) and a Bachelor of Science (BSc.) degree in Business Administration from the University of Technology. Judith was appointed Head, Product Development and Special Projects on December 1, 2020.

Ian Anderson MBA

Head, Non-Financial Risks & Enterprise Risk Management

Ian joined Barita as Head, Non-Financial Risk & Enterprise Risk Management on June 1, 2020. Prior to his posting at Barita, Ian spent the majority of his career at Scotiabank Jamaica, where he served in varying capacities for over seventeen (17) years. Ian earned a MBA in Management Information Systems from the Mona School Business and a Bachelor of Science degree in Computer Science from the University of the West Indies.

Terise Kettle MBA

Vice President, Investment Banking

Terise joined Barita on March 2, 2020 as Vice President, Investment Banking. Prior to joining Barita, Terise held key roles within the financial services sector including Assistant Vice President, Corporate & SME Banking and Team Lead – Relationship Manager (Corporate & Commercial Banking). Terise holds a Master of Business Administration in Banking and Finance with Distinction and a Bachelor's in Management Studies and Accounting with Honours from the University of the West Indies. Additionally, she has Project Management Certification from the University of the West Indies.

Sonia Owens MBA

Head - Treasury and Financial Institutions

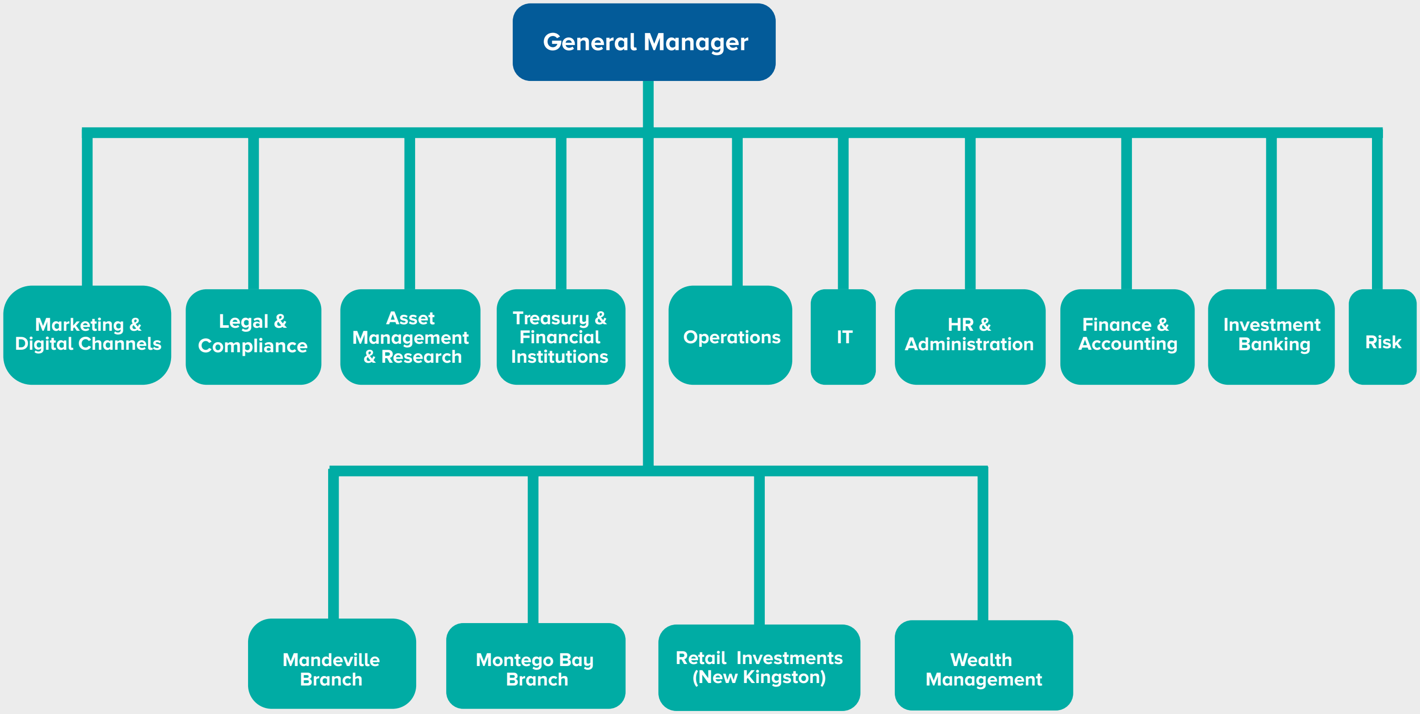
Sonia joined Barita Investments in 1984 and held several positions over the years including Trading and Investments Manager, culminating in her most recent promotion to Head, Treasury & Financial Institutions. She holds a Bachelor of Science Degree in Banking and Finance from the University of the West Indies, has attended several professional training courses with JIM, JIB, CI Financial and Euro Finance and has completed an MBA at Edinburgh Business School.

Percival Hurditt MSc.

Head, Financial Risk

Percival joined Barita on November 18, 2020 as Head, Financial Risk. He has honed his experience in Risk for over fifteen years which is complemented by years of experience as a Research Economist. Percival holds a MSc. and BSc. in Economics, both from the University of the West Indies.

ORGANIZATIONAL CHART



ORGANIZATIONAL CHART

06 MANAGEMENT DISCUSSION & ANALYSIS

2020: A YEAR OF UNCOMMON UNCERTAINTY, A CRUCIBLE OF OPPORTUNITY

GLOBAL MARKET REVIEW

The Company's FY20 performance occurred during uncommon uncertainty in both local and international financial markets. US 10-year treasury bonds, a leading safe-haven asset, traded at yields as high as 1.94% in November 2019, signalling that financial markets were generally bullish. This positive outlook fuelled a risk-on market sentiment, which was also evident in the Chicago Board Exchange (CBOE) volatility index (VIX), typically used to measure the level of fear in financial markets. In line with the confidence seen in US Treasuries, the VIX traded as low as 11.54 in November 2019, corroborating the all-around risk-on sentiment in markets.

By March 2020, however, both the treasury yield and the VIX touched their historical lows and highs respectively (Figure 1). The VIX peaked at 82.69 in March, while the US 10-year treasury yield briefly hit a historic low of 0.318%. The heightened uncertainty in the market led to a massive sell-off of riskier-assets, such as stocks, with the S&P 500 (a broad index of US stock price levels) bottoming on March 23, 2020, sharply down 34% from its record high in late February 2020. Credit spreads for investment grade and high yield fixed income securities also widened sharply to over 400 basis points (bps) and 1000 bps, respectively, only slightly lower than the effect observed during the 2007-2009 global financial crisis. The MSCI ACWI Index, which represents the performance of both developed and emerging equity markets, also bottomed on March 23, 2020, after declining by 32%. All around, the market was considered vulnerable, with risk-off sentiments pervasive throughout global markets, resulting in significant cash being left uninvested. Based on the Investment Company Institute Money Market Funds Assets report, a total of US$4.8 trillion was sidelined in May 2020, with that number declining to US$4.4 trillion as of September 2020.

Despite this turn of events, global markets rebounded quickly from March lows, for example, the S&P 500 had recovered completely by the end of September 2020. The US 10-Year treasury yield recovered to 0.685%.

Though US presidential elections were less than two months away at the end of September, the VIX also retreated from its high of 26.37. A distinct contrast was evident between the recovery in financial markets and persistently adverse indicators in general economic conditions. The disconnect is indicative of a belief by investors that while there continues to be a lag in the recovery of some elements of the economy, higher valuations are supported by expected future recovery in performance. The quantitative easing (QE) by the Federal Reserve (FED) has played a large part in the recovery, with multiple securities and broad-based facilities that have provided much-needed liquidity to both Main and Wall Streets. The European Central Bank (ECB) has also stepped out of its comfort zone and created one of the largest non-standard monetary policy funds (totalling €1,350 billion) to combat COVID 19. These unconventional monetary policies and elevated fiscal expenditures have supported risk-assets market performance since the March 2020 sell-off. It is important to remember that full recovery is premised on execution of the health measures designed to control the spread of COVID 19. Until that happens, market risks are likely to remain elevated.

Figure 1.

LOCAL FIXED INCOME MARKET REVIEW

Before the COVID 19 pandemic, Jamaica was on track to reduce its debt-to-GDP ratio to 60% by March 2026. By November 2019, Jamaica graduated successfully from a six-and-a-half year IMF economic reform programme. During that time, it managed to wrestle the unemployment rate down to historic lows, accumulate a comfortable level of net international reserves (NIR), contain inflation, and build an adequately capitalized financial system. Fortuitously, this combination of factors allowed Jamaica the space to provide over J$25 billion in fiscal support to households and businesses in the early stages of the response to the COVID 19 crisis.

The country's fiscal position also made it easier for the BOJ to support accommodative monetary policy. In line with this goal, only $30 billion of $89 billion in maturing Government of Jamaica (GOJ) securities was re-issued, leaving the remainder as stimulus within the capital markets. The BOJ lowered interest rates and engaged in an asset repurchase programme. These market operations increased the currency in circulation. Interest rates within the domestic marketplace remain low and did not see any significant changes during the financial year.

Instrument	End of FY20	End of FY19	Year-Over-Year Changes
Bank of Jamaica Overnight CD	0.50%	0.50%	Unchanged
Overnight Private Money Market	0.40%	0.30%	+ 10 bps
Overnight Interbank Rate	0.73%	0.73%	Unchanged
30-Day Private Money Market	1.83%	1.63%	+ 20 bps
90-Day Treasury-bill	1.14%	1.74%	- 60 bps
180-Day Treasury-bill	1.33%	1.75%	- 42 bps
270-Day Treasury-bill	1.65%	2.01%	- 36 bps

LOCAL EQUITIES

By March 25, the JSE Main Market Index declined by 33%, and the JSE Junior Market Index declined by 38% relative to prior highs in February. Though there were some signs of improvement in the local economy by September 2020, the local equities market remains down by double digits, while US and other developed markets have rebounded. This resulted in an increased risk averse posture by larger institutional investors who have prioritized liquidity and solvency, remaining out of the market for most of the review period. This is reflected in lower volume and value of trades during the January to September 2020 period, down 39% and 65%, respectively, for the Main Market Index, and by 56% and 64%, respectively, for the Junior Market Index.

The COVID 19 pandemic has reduced profitability in many of the industries in which locally listed entities participate. Financial companies, representing the majority of the JSE market capitalization, have reported materially lower profitability, mainly due to the higher provisions for credit losses in anticipation of heightened credit risk in their loan portfolios and declines in the value of securities holdings. However, manufacturing and distribution companies (the second largest industry by JSE market capitalization) have shown greater resilience. This is characterized by generally stable sales of basic items and improved margins due to cost efficiency initiatives, technological automation of operations, entrance into regional export markets, and product diversification. Other industries have had mixed results.

Despite the adverse market performance, there were noteworthy capital market raises that were completed both prior to the March sell-off and after. Infrastructure company Transjamaica Highway Limited, real estate and private equity company FirstRock Capital Holdings Limited, insurance brokerage company Caribbean Assurance Brokers Limited, automotive retailer Tropical Battery Limited, distribution company Mailpac Group Limited and hardware and appliances company Lumber Depot Limited were all listed or cross-listed. There were two successful APOs: Barita Investments Limited for $13.5 billion (largest APO in JSE history) and JMMB Group Limited for $12.4 billion.

FOREIGN EXCHANGE AND CREDIT MARKETS

The year ended September 2020 saw the Jamaican Dollar close at $143.50 to US $1.00, a 6% devaluation. The primary driver was the shutdown of tourism as a result of the closure of national borders from March to June, eliminating a major source of USD inflows. However, remittances proved surprisingly resilient with year-over-year growth of 27% during the April to July 2020 period (height of the country's lockdown). To complement the remittance inflows, the NIR was deployed to meet the local demand for Foreign Exchange (FX). Consequently, the NIR moved from US$3.2 billion as of October 2019 to US$2.7 billion in September 2020. Additionally, to ensure orderly conduct and to limit volatility in the FX market, the BOJ also placed restrictions on investment transactions that would require the purchase of significant foreign exchange.

Additionally, the BOJ reduced Jamaican dollar and foreign currency cash reserve requirements of Deposit-Taking Institutions, instituted a bond-buying programme for GOJ and BOJ securities, and instituted a special repurchase facility for credit unions. It is estimated that collectively the BOJ had injected over J$57 billion into the market to ensure the stability of the financial system and therefore to indirectly support the foreign exchange and credit markets. The BOJ also commissioned a foreign exchange swap arrangement, which has been used by authorized dealers as a means of managing future demand of the USD with some degree of certainty about the exchange rate.

FINANCIAL PERFORMANCE: EXPLAINING OUR STELLAR PERFORMANCE DESPITE COVID 19

For FY20, we maintained a robust performance, despite significant headwinds, driven by prudent expense, risk, portfolio and balance sheet management, and an emphasis on growing fee-generating activities. Our balance sheet was conservatively positioned, even before the COVID 19 crisis struck in March 2020, with adjustments being made to reflect emergent risks in the operating environment. Accordingly, we increased the Company's concentration in cash and near-cash securities from $9.7 billion or 21% of total assets in December 2019 to $17.3 billion or 36% of total assets by March 2020. This healthy balance sheet afforded the Company numerous opportunities during the heights of the crisis, not the least of which was our ability to be cautiously aggressive.

Despite the elevated uncertainty, we also took the bold step to raise additional capital through our $13.5 billion APO. To further bolster the balance sheet $10.4 billion in additional funds were raised through repurchase agreements. The net result has been rapid growth in earnings and shareholder value without a significant debt overhang, despite the ongoing COVID 19 pandemic.

REVENUE

Net Operating Revenue for the FY20 increased by 31%, driven by growth in the Company's main business lines, inclusive of Net Interest Income (36%) and Fees and Commission Income (164%), as well as Foreign Exchange/Translation Gains (177%). The double-digit revenue growth was partially offset by decreases in Gain on Sale of Investments, Dividend Income, and Other Income. See the breakdown of revenue and its YoY growth in table below:

REVENUE SUMMARY

Revenue Summary	2020 $'000	2019 $'000	$ Change $'000	% Change
Net Interest Income	882,589	650,999	231,590	36%
Fees & Commission Income	1,827,376	693,273	1,134,103	164%
Dividend Income	8,677	30,670	-21,993	-72%
Foreign Exchange Trading & Translation Gains	978,451	353,503	624,948	177%
Gain On Sale Of Investments	1,412,958	1,873,298	-460,340	-25%
Other Income	103,918	378,031	-274,113	-73%
Total Revenues	**5,213,969**	**3,979,774**	**1,234,195**	**31%**

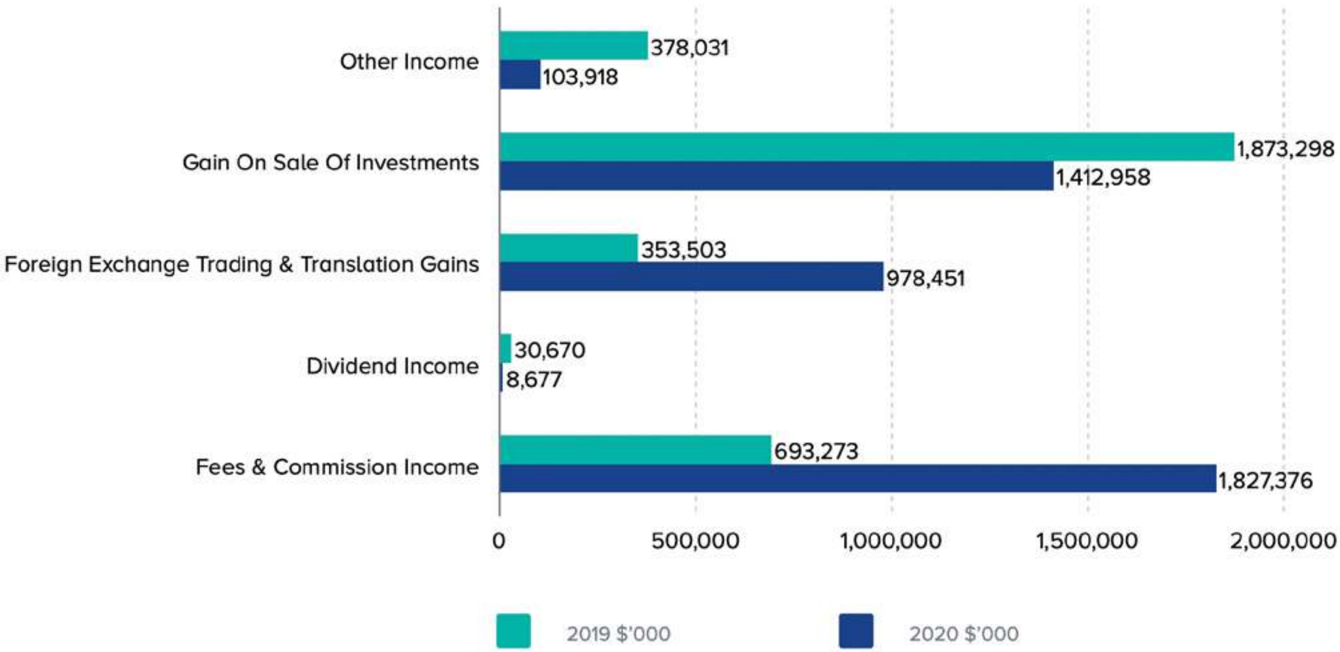
NET INTEREST INCOME

Growth in Net Interest Income has mirrored a significant increase in earning assets (58%) while maintaining flat interest costs. Given the current low-interest-rate environment coupled with the decline in market activity over the reporting period, the increase in Net Interest Income is indicative of prudent spread management while capitalizing on pockets of opportunity to expand our fixed income and credit portfolios.

NON - INTEREST INCOME

Non-Interest Income growth for the Company also demonstrated double-digit YoY improvement, increasing by 30%, from $3.3 billion to $4.3 billion. Fees & Commission Income and Foreign Exchange Gains were the main drivers of this positive change, adding $1.8 billion in revenue relative to the prior year.

NON-INTEREST INCOME BREAKDOWN



OPERATING EXPENSES

Operating Expenses rose 38% YoY from approximately $1.5 billion to $2.1 billion. This change in operating expenses is underpinned by the following:

- **Staff Costs:** (+53% YoY from $554 million to $846 million) which reflects the Company's strategic effort to recruit and retain staff with the experience and expertise to help drive shareholder value.

- **Administrative Costs:** (+28% YoY from $897 million to $1.2 billion) mirroring the growth in infrastructure and related expenses as the Company continues to grow.

- **Impairment of Financial Assets:** (+48% YoY from $75 million to $111 million) which reflects the increased risk associated with financial assets, mainly due to the COVID 19 pandemic. Relative to the size of our balance sheet, this impairment charge is negligible and indicates the Company's strong position backed by sound assets.

NET EARNINGS

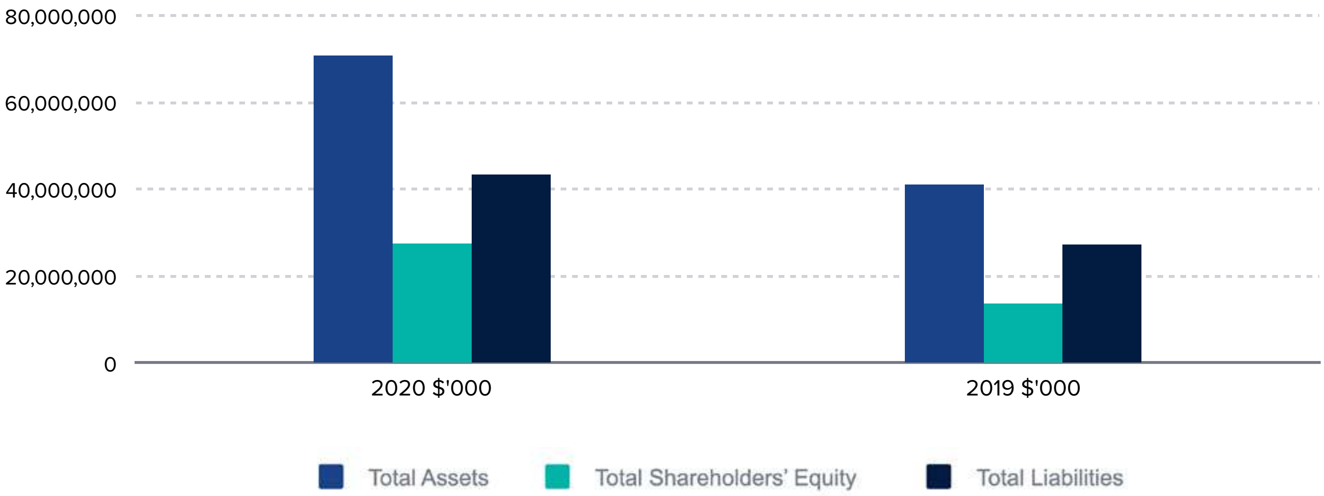
The year's Net Earnings were buoyed by a decline in taxation expense of 53%. For the year, Net Earnings totalled $2.8 billion, an increase of 61% over the prior year's earnings of $1.7 billion. Earnings per share (EPS) increased by 38% from $2.42 to $3.33. The smaller percentage increase in EPS relative to the Company's Net Earnings was due to an increase in the weighted average number of shares following the Company's APO.

STATEMENT OF FINANCIAL POSITION

The Group balance sheet expanded considerably, with Total Assets growing 72% YoY from $41.0 billion to $70.7 billion. The main contributors to this growth include pledged assets (+$24.5 billion), cash (+$4.5 billion), and investment securities (+$2.9 billion). Increased pledged assets reflect the Company's growth in repurchase agreement funding. In contrast, cash and reverse repurchase agreements demonstrate a strong liquidity position that can be utilized to take advantage of opportunities.

The funding base grew considerably YoY. Specifically, Total Liabilities increased by 58% from $27.3 billion to $43.2 billion, primarily fuelled by an additional $10.4 billion in repurchase agreements. Similarly, Total Shareholders' Equity improved by 101%, growing from $13.7 billion to $27.5 billion on the heels of our successful APO and strong Net Earnings growth, which added $1.0 billion to Retained Earnings.

FINANCIAL POSITION J$ '000



07 RISK MANAGEMENT

The objective of Barita's risk management is to ensure that risk-taking activities are aligned with its strategy and consistent with its risk appetite. Through an active and effective risk management process, Barita's Board of Directors commits to ensuring:

- The right risks are taken;
- The right amount of risk is taken;
- There is an appropriate reward for the risks being taken; and
- Risks that are inherent to the strategy, as well as those that could threaten the strategy are proactively identified and appropriately managed.

STRONGER RISK MANAGEMENT FRAMEWORK

Barita's Enterprise Risk Management (ERM) Framework is multi-dimensional and aims to provide a suite of policies, limits and tools to identify, assess and manage risks. It is underpinned by developing a risk culture through active involvement and training of the various risk owners across all the functional areas of the organization. The framework was especially useful in allowing Barita to remain liquid, operational and profitable following the onset of the COVID 19 pandemic.

PEOPLE

Barita continues to strengthen its risk management capability with the appointment of Heads for Non-Financial Risk & ERM and Financial Risk. Their primary responsibility will be to lead and develop the risk management function in the organization.

GOVERNANCE

The Board has ultimate responsibility for risk management within Barita and delegates this function to the Audit Committee and Board Investment Committee. The Board, through these committees, reviews and approves the associated policies, limits and risk appetite levels, based on the advice and counsel of various management committees.

The Management Investment Committee is responsible for the oversight of Barita's asset and liability management and trading activities and the associated risk exposures; and provides advice and counsel on financial risk related policies and limits.

Cornerstone has also established a Non-Financial Risk Committee, which is mandated to elevate the awareness of existing and emerging risks across the organization and highlight their effect on the ability to achieve strategic objectives and carry on daily operations. The Committee, which comprises senior team members from the functional areas of the businesses, provides advice and counsel on non-financial risk related policies and new product or initiative proposals.

RISK APPETITE FRAMEWORK

Barita's Risk Appetite Framework (RAF) articulates the amount of risk it is willing to take in order to meet its strategic objectives. The RAF includes risk tolerances, targets, measures and limits. This, along with the broader suite of Key Risk Indicators, is a key component in the cultivation of Barita's risk culture and ensures that Barita remains within appropriate boundaries and efficiently manages risk to find the optimal balance between risk and return. The risk appetite is continuously reviewed and updated as the Company's strategy and operations evolve.

POLICIES AND PROCEDURES

A critical dimension of the risk management framework is the establishment of robust and appropriate policies and procedures. Barita has engaged both Ernst & Young and KPMG to execute a Business Process Reengineering project in critical business areas and for the development of best-in-class policies and procedures. Both projects are well underway and will be completed in FY21.

RISK MANAGEMENT TOOLS

Having identified and prioritized existing and emerging risks, several risk tools have been built and deployed within the organization to manage these risks. These tools will continuously improve and be further complemented by others as Barita continues the development of its risk culture. These are regularly reviewed and updated to ensure effectiveness and relevance to Barita's business and financial strategies.

STRONG AND PERVASIVE RISK CULTURE

Strengthening Barita's risk function also includes cultivating a strong risk culture where risk is an enabler to strategy through the collective understanding, engagement, and accountability for the key risks relevant to Barita's strategic objectives and the corresponding risk appetite throughout the organization.

The culture will be supported by Barita's risk governance structure. Risks are managed within the framework of policies and limits that are approved by the Board of Directors. At least on a quarterly basis, the Board reviews key current and emerging risk exposures and performance against approved limits and the Board's risk appetite. Senior management committees, including the Management Investment Committee and Non-Financial Risk Committee meet more frequently to review the various risks; while the risk function will provide independent oversight of the significant risks of the Group on a continuous basis.

The culture is also supported by the three lines of defence model. Within this model:

- The various business lines that actively take these risks, and the units that support them are the risk owners and act as the first line of defence by actively managing their respective risks. This is the primary conduit through which the risk culture is cultivated.

- Risk and other control functions act as the second line of defence by objectively challenging the first line, providing independent oversight over risk taking activities, as well as developing and executing the frameworks to measure, monitor, report and control risk.

- Internal Audit acts as the third line of defence by testing to provide assurance of the effectiveness of the first and second lines of defence.

PRINCIPAL RISKS

Market Risk	Market risk is the risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, and foreign exchange rates), the correlations among them, and their levels of volatility.	Market risk exposures primarily come from Barita's investment, funding, underwriting and trading activities. In its investment and funding activities, Barita primarily invests in various fixed income instruments and funds these with repurchase agreements and capital. In its underwriting activities, Barita will from time to time purchase some or all the investment banking issuances it arranges for further distribution to its client base. In its trading activities, the Group primarily buys and sells currencies, equities and bonds for its customers and its proprietary trading portfolios. These activities are controlled through the Management Investment Committee, which has oversight for Barita's asset-liability management and trading processes. The exposures are managed through policies, processes, limits and controls designed to achieve a balance between earning net interest income, pursuing profitable trading and investment banking opportunities; and managing the resulting exposures and their potential impact on earnings and capital.
Liquidity Risk	The risk that Barita, although solvent, either does not have sufficient available resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost resulting in financial losses, loss of customer confidence and regulatory penalties.	Effective liquidity risk management is critical in order to maintain the confidence of clients and counterparties and ensure that Barita remains able to perform its core functions under adverse circumstances. Barita manages its liquidity risk by: • Forecasting cash inflows and outflows by currency to anticipate emerging liquidity needs; and conducting regular stress tests to assess the vulnerabilities inherent in its balance sheet structure and the adequacy of liquid resources under stressed conditions; • Maintaining a pool of highly liquid, unencumbered assets that can be readily sold, or pledged to secure borrowings, under stressed conditions; • Managing the structure of its funding relative to its liquidity position to ensure that it is sufficiently diversified by term and type of client; • Maintaining, testing and updating its Contingency Funding Plan, which outlines the necessary responses to varying levels and stages of stressed conditions; and • Proactively identifying, building and securing alternative sources of funding to ensure the adequacy of its contingency options and position itself to take advantage of material opportunities.
Credit Risk	Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to Barita.	Credit risk arises in Barita's margin lending operations, and in its investment and trading activities where counterparties have repayment or other obligations to Barita. The risk management function develops the programmes, policies and limits that govern the exposure to various counterparties, and the credit quality of its assets whether to bond issuers, clients, or institutional counterparties. The Credit Risk Policy and key related limits are subject to review and approval by the Board.

PRINCIPAL RISKS

Operational Risk	Operational risk is the risk of loss, resulting from people, inadequate or failed internal processes and systems, or from external events. These events can result in financial loss, regulatory sanctions and reputational damage to Barita.	Barita has a detailed Enterprise Risk Assessment process that enables it to identify the most important risks facing the organization and ensures focus on the key activities necessary to manage those risks. These are supported by various tools designed to enable the monitoring of controls and the management of various risks, including those surrounding new initiatives and third party engagements. The exposures are highlighted and tracked by the Non-Financial Risk Committee; and key risk indicators are tracked to identify emerging risks.
Information Technology Risk	IT risk refers to the likelihood of deficiencies related to the IT environment including security, data governance and integrity, reliability and necessary supporting infrastructure to handle business requirements.	IT risks arise from the technology driven nature of Barita's business, from online interfaces with clients to system capabilities to handle growing volumes. This includes cyber security risks, which continues to be a growing and ever evolving phenomenon for financial institutions locally and worldwide. Through Barita's IT Steering Committee, robust technology planning and development processes ensure that technological capabilities are sufficient to support the strategic requirements of the organization. This is supported by the continuous and proactive evaluation and update of the security environment to minimize exposure to cyber-attacks and other current and potential IT security exposures. Employees and customers are consistently sensitized to ensure understanding of current and evolving IT security risks and to reinforce the desired behaviours.
People Risk	People risk refers to the likelihood that Barita does not adequately attract, retain and develop employees with the requisite knowledge and aptitude to meet the strategic needs of the organization and fill key roles as they emerge or become vacant. People risk also includes the risk that the culture does not sufficiently instill the desired performance and conduct.	Barita is focused on building its talent pool to support its growth. In particular, there is a focus on ensuring the development of resources to fill key current roles, should they become vacant; as well as to fill roles that will emerge in the future. The people strategy is supported by building a culture of high performance and accountability; which is also embedded within its appraisal and compensation structure.

PRINCIPAL RISKS

Strategic Risk	Strategic Risk is the risk that Barita makes strategic choices that are not sufficiently resilient to changes in the business and competitive environment; or that cause other material risk exposures that are not adequately identified or managed. This risk also includes the failure of the governance and performance management environment to support the execution of its strategy.	Cornerstone and by extension Barita has a robust process for strategy formulation and execution. This includes processes surrounding the identification of opportunities in the context of the competitive environment, current and prospective market developments, and lifestyle trends. The strategy is approved by the Board of Directors; and ownership and accountability for strategy implementation is supported by communication of the strategy to all employees and the alignment of strategy to individual objectives through key performance indicators. Strategy implementation is closely monitored and managed at the Barita and Cornerstone executive levels, with quarterly updates provided to the Board. Cornerstone has an active and engaged Board, which is available on a continuing basis to opine on key strategic decisions.
Reputational Risk	Reputational risk is the risk that Barita does not recognize or appropriately manage reputational threats as perceived by providers, customers, employees, brokers, shareholders, and other key stakeholders, which may result in negative publicity and inhibit the Company's ability to perform and grow.	Barita manages its reputational risk through its code of conduct, governance practices, risk management programmes, and policies and procedures. Reputational risk, including the active development of Barita's desired reputation, is also a key consideration in the strategy formulation process and in its day to day operations; particularly including its Investment Banking and Investment Advisory activities.

08 HUMAN RESOURCES

OVERVIEW

FY20 was transformational for the Company and the Human Resources (HR) Team. It commenced with the onboarding of a Senior Human Resources Executive and the introduction of a Group HR framework. Of paramount focus was building out a best-in-class human resource function aligned to the Company's strategic objectives. This included the development and upgrading of policies and procedures and commencing automation of HR transactional activities. There were several strategic firsts for the HR team: the introduction of a comprehensive corporate training schedule, the associated tracking of training hours for all staff and the use of a data driven tool to track staff engagement levels through the eNPS modality.

GROWTH AND TALENT RETENTION

Talent acquisition was critical during the financial year and HR onboarded 56 new hires during the period. Further, in response to the needs of the business two new units were created; Risk and Investment Banking. With the extraordinary growth in human capacity, additional office space was acquired in January 2020 on the PanJam building, New Kingston.

Key hires for FY20 at the senior level were as follows:

- Stephanie Murdock was appointed as Senior Human Resources Executive on October 14, 2019.
- Judith Najair was appointed as Vice President, Operations on January 2, 2020.
- Richardo Williams was appointed as Head, Investment Research and Strategy in the Asset Management and Research Department on February 24, 2020.
- Terise Kettle was appointed as Vice President of the newly formed Investment Banking unit on March 2, 2020.
- Ian Anderson was appointed as Head, Non-Financial and Enterprise Risk Management in the newly formed Risk unit on June 1, 2020.

COVID 19 RESPONSE

We responded quickly to the threat of the COVID 19 pandemic once there was confirmation of the first case in Jamaica. The HR team implemented several measures to ensure business continuity and the safety of all staff, which included but were not limited to:

- Initiation of emergency procurement of additional IT equipment for staff;
- Implementation of flexible work arrangements for staff at all locations, including a shift system to ensure that social distancing protocols are observed;
- Installation of sanitizing stations and placement of temperature guns at all locations;
- Facilitation of private transportation for staff; and
- Intensified sanitization of key touch points, introduction of deep cleaning protocols, and installation of protective screens for key customer facing staff at all locations.

As we continue to navigate the pandemic, our HR team stands committed to ensure the safety of our staff, customers, and all stakeholders while we continue to execute our strategic objectives.

STAFF ENGAGEMENT

We have been bold in our desire to acquire the best, which is reflected in our compensation and retention strategies. We believe that through our human capital we have a competitive edge and therefore staff engagement is of paramount importance. During the year, we engaged our staff through various social activities, introduced counselling services, celebrated various milestone days, and increased our efforts to promote a healthy lifestyle.

Many planned HR activities were deferred due to COVID 19, and the HR team had to pivot to focus on developing a comprehensive response to the pandemic, which included virtualizing our operations and the workforce.

TRAINING & DEVELOPMENT

The COVID 19 pandemic gave rise to the execution of creative virtualized training of the team, with the first comprehensive corporate training schedule introduced early in the financial year. The HR team began tracking and executing within a structured plan with the goal of increasing access to quality training interventions for all.

We launched our BrainTrust Master Class peer learning programme, which is facilitated by our Asset Management and Research unit. The Programme is designed to boost our MoneyIQ by equipping our staff with unmatched industry insights and investment knowledge which allows them to empower our clients to build their wealth. Additionally, we delivered other training programmes that were geared towards improving customer service and operational efficiencies.

PROMOTIONS, MOVEMENTS & RECOGNITION

Our success is due to the immeasurable contribution of our highly engaged and empowered employees. Central to our employee engagement initiatives are:

(1) a performance-based rewards and recognition programme which seeks to acknowledge staff for a job well done as well as provide motivation for staff members through our “Big Up Alerts”; and

(2) promoting team members to challenging roles which encourage them to fully utilize and expand their capabilities, leadership, and subject-matter expertise.

We believe in the game-changing ability of each of our team members and we are proud to support their personal and professional development.

CONCLUSION

COVID 19 has helped to re-shape our way of working and interacting with each other. It has caused the adoption of new technologies, the development and implementation of remote work policies, and caused changes to our business operating model. Notwithstanding these many changes brought on by the pandemic, our employees remained resilient throughout the period and embraced each change as it came with a can-do mindset which culminated in another record setting year for the Company.

FY21 will continue to see a focus on talent acquisition in keeping with the Company’s growth objectives and a focus on culture transformation. As the staff complement grows, it will become imperative that we are deliberate in the sensitization of all to the desired culture – a culture of performance, innovation, accountability, teamwork, and customer centricity.

PUTTING OUR BARITA GAME CHANGERS FOR 2019/2020 IN THE SPOTLIGHT

Jovano Johnson BBA

Trading Manager

Heather Ferguson

Cambio Trading Manager

Richardo Williams MSc.

Head, Investment Research and Strategy

Bob Russell MBA, FRM

Portfolio Manager, Global Fixed Income

Ferris Jackson BSc., FRM

Portfolio Manager

Haughton Richards BSc., FRM

Senior Investment Strategist

Kerrie Baylis LLB

Head, Wealth Management

Petula Clarke BBA

Private Wealth Manager

Kemisha Batchelor MBA

Senior Wealth Manager

Chad-Paul Priestly BSc.

Head - Retail Investments

Shelly-Ann Wright BBA

Investment Manager

Keri-Ann Newman BSc.

Investment Manager

Ian Glaze BBA

Investment Manager

Dianne Clunie-Wallace MBA

Assistant Vice President, Marketing

Sean Taylor BSc.

Head, Digital Marketing

Sanya McHugh BSc.

Senior Marketing Strategist

Raul Pinnock BSc.

Manager, Investment Banking

Kemar Ferguson BSc.

Manager, Software Development

Geoffrey Shields BSc., CCNA

Manager, IT Infrastructure

Kamal Kerr BSc.

Manager, IT System Support

Adrian McBean BSc., ACCA
Senior Manager - Financial Reporting

Chevanne Henry BSc., CPA
Senior Accountant

Shernette Cowans BBA
Senior Accountant

Javelia Allen BSc.

Supervisor, Retail Treasury Operations

Patricia Salmon BSc.

Supervisor, Wholesale Treasury Operations

Tamara Johnson BSc.

Assistant Manager, Operations

Kerryann Mahabeer MBA

Manager- Operations Control and Reporting

09 CORPORATE SOCIAL RESPONSIBILITY

The key areas of focus within our Corporate Social Responsibility (CSR) framework this year included education, youth development and social awareness. As a leader in our industry, we aspire to go above and beyond in ensuring that our presence is felt within the communities in which we operate, as well as the wider nation. We have earnestly executed our CSR policy framework in the following areas:

EDUCATION AND YOUTH DEVELOPMENT

Education is a powerful tool for creating positive and lasting change in societies. Barita has identified a disparity among children residing in the more volatile communities of Jamaica and other factors that have impacted their levels of literacy and numeracy. As such, the Barita Education Foundation (BEF or the Foundation), a registered charitable organization, continued to carry out its grassroots education programme which is actively dedicated to improving the literacy and numeracy skills of young children residing in and around Kingston and St. Andrew. The programme targets children at the Early Childhood Level (3-6 years old) because we at Barita firmly believe in the importance of establishing a solid foundation.

Notwithstanding the COVID 19 pandemic, we maintained our relationships with 22 basic schools. The Foundation continued to monitor each school, distribute care packages and work closely via online platforms with parents and teachers.

The Foundation also supported a full rehabilitation of the Mary Bond Basic School in Harbour View. This ensured that the children had an improved environment and equipment for learning.

SOCIAL AWARENESS

Through our support of various initiatives, we continued to play our part in the sensitization of the issues most prevalent among our populace. Of note and import was the alarming breast cancer statistics and the varying degrees of gender issues. Dedicated special events and activities to show our acknowledgement and support included: “Pink Day”, “Women’s Day” and “Nurses Day”. This support was welcomed by our partners and contributed to team building and camaraderie within our organization.

Other highlights this year included our continued support of Food for the Poor and Mustard Seed Communities and contribution to the Solar Energy Project of the YMCA.

At Barita, we vow to remain committed to building a brand that serves the community through our various initiatives thereby creating sustainable change within the Jamaican society.

MARY BOND EARLY CHILDHOOD DEVELOPMENT CENTRE BACK TO SCHOOL DONATION

Children beaming with smiles behind their masks as they receive much needed school supplies, along with COVID 19 resources. Sean Taylor, Head of Digital Marketing at Barita and Mellonnie Reid, Principal of Mary Bond Early Childhood Development Centre flank two students of the institution.

SPONSORSHIP OF YMCA'S SOLAR ENERGY PROJECT

Barita gives J$1,000,000 in sponsorship to the YMCA Solar Energy Project 2020. It is in-keeping with our mission to help create lasting sustainable change amongst members of our local community. At center Terise Kettle, Vice President, Investment Banking at Barita presents a symbolic cheque to Allan Marsh, Chairman of YMCA. Looking on are Sarah Newland-Martin, O.D. J.P. Administrator/General Secretary and Arnold Aiken.

PRESS LAUNCH – ALL ISLAND TENNIS TOURNAMENT

All smiles from Chad-Paul Priestly, Head of Retail Investments at Barita, Keri-Ann Newman, Investment Manager and John Azar, Tennis Jamaica President as Barita officially becomes a part of the tennis family. We pride ourselves in facilitating the well-rounded development of our nation's youths. All work and no play is not the Barita way.

ALL ISLAND TENNIS TOURNAMENT AWARDS CEREMONY

Our 2020 champions gleefully accept their trophy and awards presented by our very own Chad-Paul Priestly, Head of Retail Investments. The Barita All Island High School Tennis Championship was a major highlight of the season. We are very proud of our young athletes and their participation in this event.

INTERNATIONAL WOMEN'S DAY 2020

"Equal for Each!" Our women stand symbolically poised in solidarity. Adorned in their Barita blue, which signifies reliability and selflessness. It emphasizes Barita's recognition of the value of our women. We celebrate you!

10 DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their Report and the Audited Financial Statements for the year ended September 30, 2020.

FINANCIAL RESULTS

Full details of our results are set out in pages 110-196. We however highlight the following:

Profit before Income Tax	J$3.1 billion
Profit after Tax	J$2.8 billion

DIVIDEND

The following dividend was declared during the year:

- J$2.216 per ordinary stock unit was paid in October 2020

RETIRING DIRECTORS

Paul Simpson
Carl Domville
James Godfrey

AUDITORS

BDO have signified their willingness to continue in office as Auditors in accordance with the provisions of Section 154(2) of the Companies Act.

COMPANY SECRETARY

The Company Secretary is Ms. Malindo Wallace

By order of the Board,

January 28, 2021

Signed ______________________

Malindo Wallace
Company Secretary

11 AUDITED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Tel: (876) 926-1616/7, 926-4421
Fax: (876) 926-7580
www.bdo.com.jm

Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
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 110 to 196, 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.

BDO

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.

BDO

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.

BDO

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.

Chartered Accountants

17 December 2020

BARITA INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 $'000	2019 $'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 $'000	2019 $'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 $'000	2019 $'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 $'000	2019 $'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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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%.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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.

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)

(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.

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)

(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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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

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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.

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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:

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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

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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

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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

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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

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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

BARITA INVESTMENTS LIMITED

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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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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.

BARITA INVESTMENTS LIMITED

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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

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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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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.

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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

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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

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NOTES TO THE FINANCIAL STATEMENTS

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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.

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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

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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	-

NOTES TO THE FINANCIAL STATEMENTS

BARITA INVESTMENTS LIMITED

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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	-

NOTES TO THE FINANCIAL STATEMENTS

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

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

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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)

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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 $'000	Level 2 $'000	Total $'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 $'000	Level 2 $'000	Total $'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 $'000	Level 2 $'000	Total $'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 $'000	Level 2 $'000	Total $'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

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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

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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

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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

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

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

	The Group	
	2020 $'000	2019 $'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 $'000	2019 $'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 $'000	2019 $'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

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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

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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

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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

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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

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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

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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).

BARITA INVESTMENTS LIMITED

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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).

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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.

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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	2019	2020	2019
	$'000	$'000	$'000	$'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.

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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	-

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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

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

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'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.

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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 $'000	2019 $'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

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2020

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):**

	The Group			
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	883,445

	The Company					
Deferred tax liabilities	**Accelerated depreciation $'000**	**Interest receivable $'000**	**Exchange gain $'000**	**Investment securities $'000**	**Lease liability $'000**	**Total $'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 $'000	2019 $'000	2020 $'000	2019 $'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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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 $'000	2019 $'000	2020 $'000	2019 $'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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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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

30 SEPTEMBER 2020

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

30 SEPTEMBER 2020

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.

12 DISCLOSURE OF SHAREHOLDINGS

DISCLOSURE OF SHAREHOLDINGS AS AT SEPTEMBER 30, 2020

Shareholdings of the 10 Largest Ordinary Shareholders

Shareholder	Amount	Percentage Ownership
Cornerstone Financial Holdings Limited	803,346,289	74.00%
First Citizens Investments Services Limited	54,280,000	5.00%
Rita Humphries-Lewin	53,550,974	4.9328%
294 Inc	11,000,000	1.0133%
National Insurance Fund	8,191,553	0.7546%
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	6,820,015	0.6282%
Pimento Grove Limited	6,734,053	0.6203%
Karl P. Wright	6,271,206	0.5777%
Karl Lewin	6,196,437	0.5708%
John O. Minott	5,749,117	0.5296%

Shareholdings of Directors & Connected Parties

Director	Shareholding
Rita Humphries-Lewin	53,550,974
Carl Domville	2,015,644
Mark Myers	2,316,302
Paul Simpson **(connected person: 294 Inc.)**	11,000,000
Duncan Stewart	1,456,070
Robert Drummond	480,000
James Godfrey	0
Jason Chambers	2,033,285
Phillip Lee	3,161,072
Matthew Hogarth	142,296

Shareholdings of Senior Managers and Connected Parties

Manager	Shareholding
Paula Barclay	26,410
Michele McRae	2,500
Jason Chambers	2,033,285
Ramon Small-Ferguson	288,388
Anmarie Walker-Cato	7,069
Stephanie Murdock	0
Judith Najair	2,062
Terise Kettle	28,276
Sonia Owens	196,616

CORPORATE DATA

BARITA INVESTMENTS LIMITED

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Kingston 5
Jamaica

REGISTRAR & TRANSFER AGENTS

Jamaica Central Securities Depository
40 Harbour Street
Kingston, Jamaica

PROXY FORM

BARITA INVESTMENTS LIMITED

I/We ____ of ____

being a member/members of Barita Investments Limited, hereby appoint ____

of ____ or failing him/her ______________________________________

of ____

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, April 23, 2021 at 10:00 a.m. at the AC Marriott Hotel, 38-42 Lady Musgrave Road, Kingston 5 or virtually in accordance with an order the Company expects to receive from the Supreme Court and at any adjournment thereof.

Please indicate by inserting a cross in the appropriate square how you wish your votes to be cast. Unless otherwise instructed, the proxy will vote or abstain from voting, at his/her discretion.

Resolutions	For	Against	Resolutions	For	Against
Resolution 1	☐	☐	Resolution 4	☐	☐
Resolution 2	☐	☐	Resolution 5	☐	☐
Resolution 3(a)	☐	☐			
Resolution 3(b)	☐	☐			
Resolution 3(c)	☐	☐			

Signed ____ Dated the _____ date of _________________, 2021

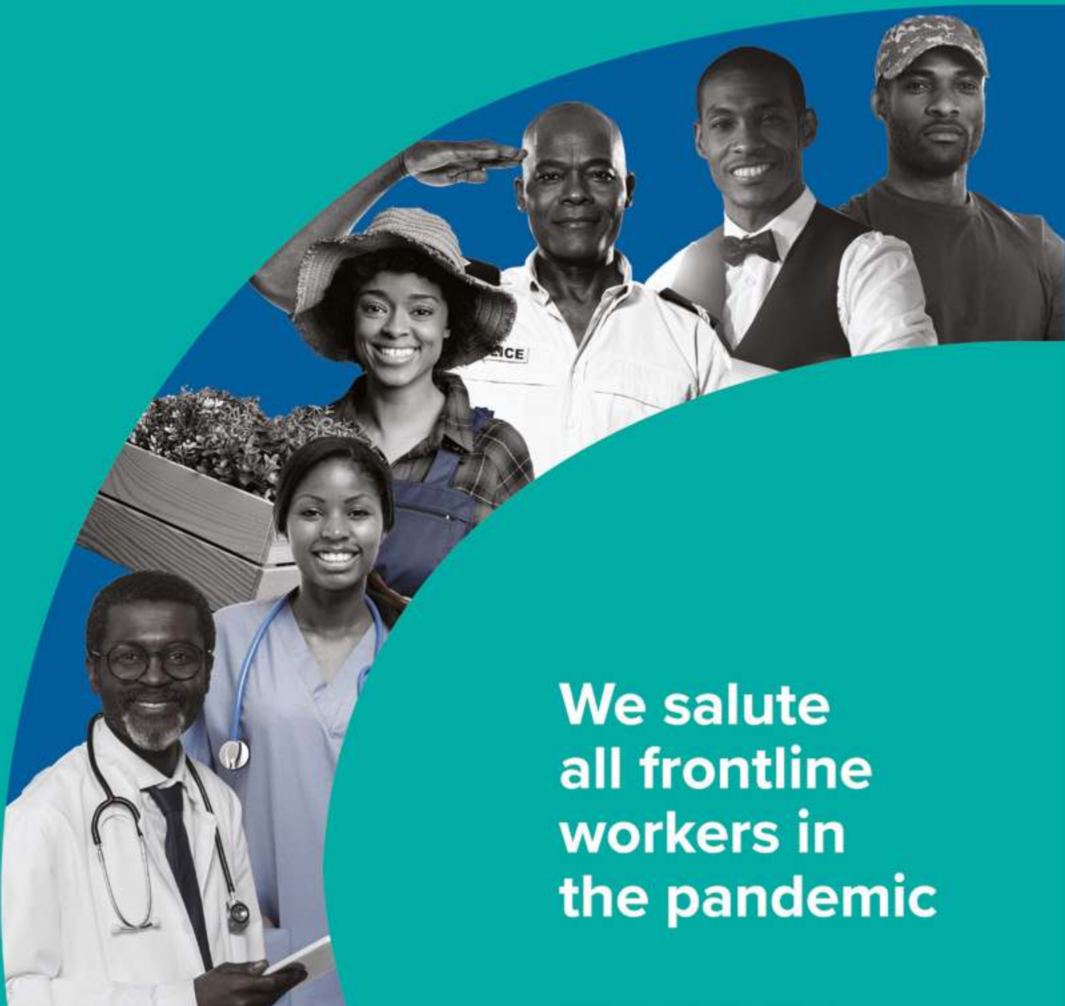
Notes

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.

2. This Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the proxy.

3. If the appointer is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

Barita



We salute all frontline workers in the pandemic