

BARITA INVESTMENTS LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2021

BARITA INVESTMENTS LIMITED

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30 SEPTEMBER 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of
Barita Investments Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Barita Investments Limited and its subsidiary (the group) and the financial statements of Barita Investments Limited standing alone (the company) set out on pages 6 to 94, which comprise the group's and the company's statement of financial position as at 30 September 2021, 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 2021, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

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

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Barita Investments Limited

Key Audit Matters (cont'd)*Key Audit Matters***Expected credit losses in relation to financial assets**

See notes 3(f),4(b)(v) and 5(a) 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 impact of COVID-19 on the group's financial assets. The most significant impact of the implementation of the impairment model is to the provisioning policy for the group's investment securities.

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

How our audit addressed the Key Audit Matter

- The group's accounting policy as it relates to the impairment provisioning for debt securities was obtained and the reasonableness of the impairment provision assessed in relation to the requirements of the standard.
- We established an understanding of management's ECL model including source data, the effectiveness of the implementation and the mathematical accuracy of the model. We tested the reliability of the source data used in the design of the model by confirming a sample to the public historical data.
- We evaluated the appropriateness of management's assumptions and judgement in arriving at the loss given default percentage by assessing the factors used in establishing the weighting assigned by management. The main macro factors used were compared to external public information and calculations tested through re-computation.
- We determined whether the default risk percentage was accurately calculated and correctly applied to the relevant grade of each debt security.
- We assessed the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Barita Investments Limited

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

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

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

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

Other Information

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Barita Investments Limited

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Barita Investments Limited

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

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

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

Report on additional matters as required by the Jamaican Companies Act

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

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

The engagement partner on the audit resulting in this independent auditors' report is Balvin Vanriel.



Chartered Accountants

20 December 2021

BARITA INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2021

	<u>Note</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Net interest income		1,541,340	882,589
Fees and commission income		3,378,654	1,827,376
Dividend income		1,054	8,677
Foreign exchange trading and translation gains		1,587,050	978,451
Fair value and realized gains on investments		1,580,546	1,412,958
Other		<u>27,618</u>	<u>103,918</u>
Net operating revenue		<u>8,116,262</u>	<u>5,213,969</u>
Operating Expenses			
Staff costs	7	(1,254,306)	(846,090)
Administration costs		(1,790,780)	(1,151,116)
Impairment of financial assets		<u>(6,447)</u>	<u>(110,794)</u>
	8	<u>(3,051,533)</u>	<u>(2,108,000)</u>
Share of profit from associate	24	<u>57,144</u>	<u>-</u>
Profit before Taxation		5,121,873	3,105,969
Taxation	9	<u>(1,063,276)</u>	<u>(347,440)</u>
PROFIT FOR THE YEAR	10	<u>4,058,597</u>	<u>2,758,529</u>
OTHER COMPREHENSIVE INCOME:			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Realised (losses)/gains on securities at FVOCI, net of taxes	9(c)	(864,009)	521,028
ECL adjustment on securities at FVOCI, net of taxes	9(c)	81,000	4,226
Unrealised gain/(losses) on securities at FVOCI, net of taxes	9(c)	501,443	(1,096,347)
Fair value gain on property, plant and equipment, net of taxes	9(c)	10,607	-
Share based payment expenses, net of taxes	9(c)	<u>86,800</u>	<u>-</u>
Total other comprehensive income		<u>(184,159)</u>	<u>(571,093)</u>
TOTAL COMPREHENSIVE INCOME		<u>3,874,438</u>	<u>2,187,436</u>
BASIC EARNINGS PER SHARE	16	<u>\$3.73</u>	<u>\$3.33</u>

BARITA INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2021

	<u>Note</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
<u>ASSETS</u>			
Cash and bank balances	11	3,816,326	5,277,608
Securities purchased under resale agreements	12	8,872,136	8,039,603
Investment securities	13	14,128,717	13,939,095
Pledged assets	14	50,293,982	35,425,728
Receivables	15	1,081,304	2,986,408
Loans receivable		5,911,713	1,717,229
Taxation recoverable		-	183,299
Due from related parties	17(b)	2,518,556	1,979,035
Property, plant and equipment	18	1,014,416	609,821
Intangible assets	19	19,478	18,399
Investment	20	55,000	55,000
Investment property	21	210,000	203,400
Right-of-use assets	22(a)	233,974	256,588
Investment in associate	24	<u>2,053,423</u>	<u>-</u>
Total assets		<u>90,209,025</u>	<u>70,691,213</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Bank overdraft	11	8,635	8,720
Secured investment notes	25	1,022,055	611,947
Securities sold under repurchase agreements		45,592,518	34,446,619
Payables	26	5,915,703	6,970,314
Due to related parties	17(b)	144,013	273,744
Taxation		943,708	-
Deferred tax liabilities	27	61,237	616,891
Lease liability	22(b)	<u>274,840</u>	<u>282,298</u>
Total liabilities		<u>53,962,709</u>	<u>43,210,533</u>
Stockholders' Equity:			
Share capital	28	33,135,904	24,146,554
Capital reserve	29	122,073	111,466
Fair value reserve	30	(256,512)	25,054
Capital redemption reserve	31	220,127	220,127
Retained earnings		2,937,924	2,977,479
Stock option reserve	32	<u>86,800</u>	<u>-</u>
Total stockholders' equity		<u>36,246,316</u>	<u>27,480,680</u>
Total liabilities and stockholders' equity		<u>90,209,025</u>	<u>70,691,213</u>

Approved for issue by the Board of Directors on 20 December 2021 and signed on its behalf by:



 Mark Myers Chairman



 Carl D. Domville Director

BARITA INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2021

	Share Capital \$'000	Treasury Shares \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Stock Option Reserve \$'000	Capital Redemption Reserve \$'000	Retained Earnings \$'000	Total \$'000
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 (IFRS 16 Leases)	-	-	-	-	-	-	(8,572)	(8,572)
Balance at 1 October 2019	<u>10,887,680</u>	<u>(188,299)</u>	<u>111,466</u>	<u>685,248</u>	<u>-</u>	<u>220,127</u>	<u>1,944,484</u>	<u>13,660,706</u>
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	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(660,194)</u>	<u>-</u>	<u>-</u>	<u>2,847,630</u>	<u>2,187,436</u>
TRANSACTION WITH OWNERS								
Issue of shares, net of transaction cost (Note 28)	13,260,146	-	-	-	-	-	-	13,260,146
Treasury shares sold	-	187,027	-	-	-	-	-	187,027
Dividends proposed (Note 33)	-	-	-	-	-	-	(1,814,635)	(1,814,635)
	<u>13,260,146</u>	<u>187,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,814,635)</u>	<u>11,632,538</u>
BALANCE AT 30 SEPTEMBER 2020	<u>24,147,826</u>	<u>(1,272)</u>	<u>111,466</u>	<u>25,054</u>	<u>-</u>	<u>220,127</u>	<u>2,977,479</u>	<u>27,480,680</u>
TOTAL COMPREHENSIVE INCOME								
Profit for the year	-	-	-	-	-	-	4,058,597	4,058,597
Other comprehensive income	-	-	10,607	(281,566)	86,800	-	-	(184,159)
	<u>-</u>	<u>-</u>	<u>10,607</u>	<u>(281,566)</u>	<u>86,800</u>	<u>-</u>	<u>4,058,597</u>	<u>3,874,438</u>
TRANSACTION WITH OWNERS								
Issue of shares, net of transaction cost (Note 28)	10,520,398	-	-	-	-	-	-	10,520,398
Dividends paid (Note 33)	-	-	-	-	-	-	(809,860)	(809,860)
Dividends proposed (Note 33)	-	-	-	-	-	-	(3,288,292)	(3,288,292)
Treasury shares purchased (Note 28)	-	(1,531,048)	-	-	-	-	-	(1,531,048)
	<u>10,520,398</u>	<u>(1,531,048)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,098,152)</u>	<u>4,891,198</u>
BALANCE AT 30 SEPTEMBER 2021	<u>34,668,224</u>	<u>(1,532,320)</u>	<u>122,073</u>	<u>(256,512)</u>	<u>86,800</u>	<u>220,127</u>	<u>2,937,924</u>	<u>36,246,316</u>

BARITA INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 30 SEPTEMBER 2021

	<u>Note</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		4,058,597	2,758,529
Items not affecting cash resources:			
Depreciation and amortisation		88,795	62,144
Effect of exchange gain on foreign balances		(352,489)	(967,165)
Fair value gain on investment property		(6,600)	(37,903)
Unrealised gain on investment FVTPL		(151,943)	(25,083)
Interest income		(2,926,953)	(1,765,000)
Interest expense		1,385,613	882,411
Effect of exchange rate on lease modified		(872)	-
Taxation expense	9	1,063,276	347,440
Lease liability interest expense		20,362	15,948
Right-of-use assets amortisation		33,303	23,337
Share of profit from associate		(57,144)	-
Share option expense		<u>130,200</u>	<u>-</u>
		3,284,145	1,294,658
Changes in operating assets and liabilities:			
Securities purchased under resale agreements, net		(721,840)	6,714,901
Securities sold under repurchase agreements, net		10,375,994	9,972,871
Receivables		1,905,104	(2,237,891)
Loans receivables, net		(4,235,375)	(970,952)
Payables		(2,716,039)	4,495,626
Related companies		(481,481)	359,022
Secured investment notes		<u>410,108</u>	<u>611,947</u>
		7,820,616	20,240,182
Interest received		2,777,261	1,465,684
Interest paid		(1,786,831)	(821,417)
Lease payments		(39,381)	(22,150)
Tax paid		<u>(399,073)</u>	<u>(959,666)</u>
Cash provided by operating activities		<u>8,372,592</u>	<u>19,902,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	18	(468,900)	(285,363)
Purchase of intangible assets	19	(10,226)	(18,164)
Proceeds from disposal of property, plant and equipment		567	-
Purchase of investment property		-	(165,497)
Investment securities including pledged assets, net		(13,746,633)	(27,376,425)
Investment in associate	24	<u>(1,996,279)</u>	<u>-</u>
Cash used in investing activities		<u>(16,221,471)</u>	<u>(27,845,449)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(2,624,495)	(877,090)
Issued ordinary shares		10,520,398	13,260,146
Treasury shares purchased		<u>(1,532,320)</u>	<u>-</u>
Cash provided by financing activities		<u>6,363,583</u>	<u>12,383,056</u>
Effect of exchange rate on cash and cash equivalents		<u>24,099</u>	<u>112,547</u>
(Decrease)/increase in net cash and equivalents		(1,461,197)	4,552,787
Cash and cash equivalents at beginning of year		<u>5,268,888</u>	<u>716,101</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	<u><u>3,807,691</u></u>	<u><u>5,268,888</u></u>

BARITA INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2021

	<u>Note</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Net interest income		1,516,314	865,196
Fees and commission income		2,826,915	1,338,577
Dividend income		1,036	5,663
Foreign exchange trading and translation gains		1,578,262	963,786
Fair value and realized gains on investments		1,580,014	1,403,431
Other		<u>96,126</u>	<u>102,616</u>
Net operating revenue		<u>7,598,667</u>	<u>4,679,269</u>
Operating Expenses			
Staff costs	7	(1,203,316)	(830,401)
Administration costs		(1,756,643)	(1,016,379)
Impairment of financial assets		<u>(5,113)</u>	<u>(8,278)</u>
	8	<u>(2,965,072)</u>	<u>(1,855,058)</u>
Share of profit from associate		<u>57,144</u>	<u>-</u>
Profit before Taxation		4,690,739	2,824,211
Taxation	9	<u>(937,212)</u>	<u>(228,630)</u>
Profit for the Year	10	<u>3,753,527</u>	<u>2,595,581</u>
OTHER COMPREHENSIVE INCOME:			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Realised (losses)/gains on securities at FVOCI, net of taxes	9(c)	(863,881)	518,088
Unrealised gain/(losses) on securities at FVOCI, net of taxes	9(c)	497,041	(1,188,787)
Fair value gain on property, plant and equipment, net of taxes	9(c)	10,607	-
ECL adjustment on securities at FVOCI, net of taxes	9(c)	81,000	13,759
Share based payment expenses, net of taxes	9(c)	<u>86,800</u>	<u>-</u>
Total other comprehensive income		<u>(188,433)</u>	<u>(656,940)</u>
TOTAL COMPREHENSIVE INCOME		<u>3,565,094</u>	<u>1,938,641</u>

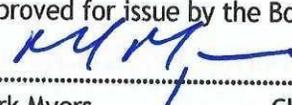
BARITA INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

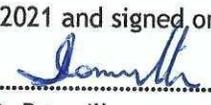
30 SEPTEMBER 2021

	<u>Note</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
<u>ASSETS</u>			
Cash and bank balances	11	3,618,746	5,179,013
Securities purchased under resale agreements	12	8,872,136	8,039,603
Investment securities	13	13,943,573	13,759,726
Pledged assets	14	50,293,982	35,425,728
Receivables	15	1,061,843	2,969,487
Loans receivable		5,911,713	1,717,229
Tax recoverable		-	273,130
Due from related parties	17(b)	2,523,040	1,729,171
Property, plant and equipment	18	1,013,441	608,682
Intangible assets	19	19,478	18,399
Investment	20	55,000	55,000
Investment in subsidiaries	23(b)	1,116,071	85,700
Investment property	21	210,000	203,400
Right-of-use assets	22(a)	233,974	256,588
Investment in associate	24	<u>2,053,423</u>	<u>-</u>
Total assets		<u>90,926,420</u>	<u>70,320,856</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
LIABILITIES:			
Bank overdraft	11	7,725	8,720
Secured investment notes	25	1,415,234	611,947
Securities sold under repurchase agreements		45,664,870	34,540,980
Payables	26	5,866,515	7,120,704
Due to related parties	17(b)	5,589	397,308
Taxation		901,522	-
Deferred tax liabilities	27	50,494	606,608
Lease liability	22(b)	<u>274,840</u>	<u>282,298</u>
Total liabilities		<u>54,186,789</u>	<u>43,568,565</u>
Stockholders' Equity:			
Share capital	28	34,668,224	24,147,826
Capital reserve	29	183,928	173,321
Fair value reserve	30	(271,002)	14,838
Capital redemption reserve	31	313,590	313,590
Retained earnings		1,758,091	2,102,716
Stock option reserve	32	<u>86,800</u>	<u>-</u>
Total stockholders' equity		<u>36,739,631</u>	<u>26,752,291</u>
Total liabilities and shareholders' equity		<u>90,926,420</u>	<u>70,320,856</u>

Approved for issue by the Board of Directors on 20 December 2021 and signed on its behalf by:



 Mark Myers Chairman



 Carl D. Domville Director

BARITA INVESTMENTS LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 SEPTEMBER 2021

	Share Capital \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Stock Option Reserve \$'000	Capital Redemption Reserve \$'000	Retained Earnings \$'000	Total \$'000
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 (IFRS 16 Leases)	-	-	-	-	-	(8,572)	(8,572)
BALANCE AT 1 OCTOBER 2019	<u>10,887,680</u>	<u>173,321</u>	<u>671,778</u>	<u>-</u>	<u>313,590</u>	<u>1,335,342</u>	<u>13,381,711</u>
TOTAL COMPREHENSIVE INCOME							
Profit for the year	-	-	-	-	-	2,595,581	2,595,581
Other comprehensive income	-	-	(656,940)	-	-	-	(656,940)
	<u>-</u>	<u>-</u>	<u>(656,940)</u>	<u>-</u>	<u>-</u>	<u>2,595,581</u>	<u>1,938,641</u>
TRANSACTION WITH OWNERS							
Issue of shares, net of transaction cost (Note 28)	13,260,146	-	-	-	-	-	13,260,146
Dividends proposed (Note 33)	-	-	-	-	-	(1,828,207)	(1,828,207)
	<u>13,260,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,828,207)</u>	<u>11,431,939</u>
BALANCE AT 30 SEPTEMBER 2020	<u>24,147,826</u>	<u>173,321</u>	<u>14,838</u>	<u>-</u>	<u>313,590</u>	<u>2,102,716</u>	<u>26,752,291</u>
TOTAL COMPREHENSIVE INCOME							
Profit for the year	-	-	-	-	-	3,753,527	3,753,527
Other comprehensive income	-	10,607	(285,840)	86,800	-	-	(188,433)
	<u>-</u>	<u>10,607</u>	<u>(285,840)</u>	<u>86,800</u>	<u>-</u>	<u>3,753,527</u>	<u>3,565,094</u>
TRANSACTION WITH OWNERS							
Issue of shares, net of transaction cost (Note 28)	10,520,398	-	-	-	-	-	10,520,398
Dividends paid (Note 33)	-	-	-	-	-	(809,860)	(809,860)
Dividends proposed (Note 33)	-	-	-	-	-	(3,288,292)	(3,288,292)
	<u>10,520,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,098,152)</u>	<u>6,422,246</u>
BALANCE AT 30 SEPTEMBER 2021	<u>34,668,224</u>	<u>183,928</u>	<u>(271,002)</u>	<u>86,800</u>	<u>313,590</u>	<u>1,758,091</u>	<u>36,739,631</u>

BARITA INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2021

	Note	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		3,753,527	2,595,581
Items not affecting cash resources:			
Depreciation and amortisation		88,631	61,980
Effect of exchange gain on foreign balances		(352,489)	(967,165)
Unrealised gain on investment FVTPL		(151,411)	(19,174)
Interest income		(2,901,927)	(1,746,261)
Interest expense		1,385,613	881,065
Fair value gains on investment property		(6,600)	(37,903)
Effect of exchange rate on lease modified		(872)	-
Income tax expense	9	937,212	228,630
Lease liability interest expense		20,362	15,948
Right-of-use assets amortisation		33,303	23,337
Share of profit from associate		(57,144)	-
Share option expense		<u>130,200</u>	<u>-</u>
		2,878,405	1,036,038
Changes in operating assets and liabilities:			
Securities purchased under resale agreements, net		(721,840)	6,714,901
Securities sold under repurchase agreements, net		10,375,994	9,972,871
Receivables		1,907,644	(2,235,272)
Loans receivables, net		(4,235,375)	(970,952)
Payables		(2,714,274)	4,509,706
Related companies, net		(1,185,588)	917,218
Secured investment notes	25	<u>803,287</u>	<u>611,947</u>
		7,108,253	20,556,457
Interest received		2,754,764	1,450,225
Interest paid		(1,786,831)	(821,417)
Lease payments		(39,381)	(22,150)
Tax paid		(<u>224,456</u>)	(<u>676,394</u>)
Cash provided by operating activities		<u>7,812,349</u>	<u>20,486,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	18	(468,900)	(285,363)
Purchase of intangible assets	19	(10,226)	(18,164)
Proceeds from disposal of property, plant and equipment	18	567	-
Purchase of investment property		-	(165,497)
Investment securities including pledged assets, net		(13,772,842)	(27,908,970)
Investment in associate	24	(1,996,279)	-
Investment in subsidiary	23	(<u>1,030,371</u>)	<u>-</u>
Cash used in investing activities		(<u>17,278,051</u>)	(<u>28,377,994</u>)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(2,638,067)	(891,862)
Issued ordinary shares		<u>10,520,398</u>	<u>13,260,146</u>
Cash provided by financing activities		<u>7,882,331</u>	<u>12,368,284</u>
Effect of exchange rate on cash and cash equivalents		<u>24,099</u>	<u>112,547</u>
(Decrease)/increase in net cash and equivalents		(1,559,272)	4,589,558
Net cash and cash equivalents at beginning of year		<u>5,170,293</u>	<u>580,735</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	<u><u>3,611,021</u></u>	<u><u>5,170,293</u></u>

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

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 controlling party of the company is Cornerstone Financial Holdings Limited with a 74% ownership as at year end. The registered office of Cornerstone Financial Holdings is located at Suite 1, Ground Floor, The Financial Services Centre, Bishop's Court Hill, Barbados.

The company is a licensed securities dealer, investment manager, pension administrator and cambio operator 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).

During the year, the company founded the Cornerstone Group Employee Trust, a special purpose entity, by contributing 10,000,000 shares for the establishment of the Trust. The Trust acts as holding agent of shares within the company's Employee Stock Option Plan.

The principal activities of the company and its wholly owned subsidiary, Barita Unit Trusts Management Company Limited (BUTM), are securities brokerage, money market activities, cambio operations, investment banking and funds management.

The company acquired 20% of the shareholding of Derrimon Trading Company Limited (DTC). DTC is incorporated and registered in Jamaica. DTC is an associated company of Barita Investments Limited (see Note 24.)

"The Group" refers collectively to the company, its subsidiary and the employee trust.

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.

BARITA INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2021****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(a) Basis of preparation (cont'd)**

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.

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:

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 Reporting. They clarify the explanation of material and also incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, 'Financial Instruments' IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosures', IFRS 16 Leases, (effective for accounting periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

The adoption of the above standards and interpretations did not have any material impact on the group's financial statements.

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:

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New standards, amendments and interpretation not yet effective and not early adopted (cont'd)

Amendments to IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2022). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments also classify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the group.

Amendment to IAS 16, 'Property, plant and equipment' (effective for accounting periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognise such sales proceeds and related cost in profit or loss. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The group is currently assessing the impact of this amendment.

Amendments to IFRS 3, 'Business combinations' (effective for accounting periods beginning on or after 1 January 2022). Minor amendments were made to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. The adoption of these amendments is not expected to have a significant impact on the group.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' (effective for accounting periods beginning on or after 1 January 2022). This amendment specifies which costs a company includes when assessing whether a contract will be loss making. It clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The group is currently assessing the impact of this amendment.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New standards, amendments and interpretation not yet effective and not early adopted (cont'd)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective for accounting periods beginning on or after 1 January 2021. These address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark (replacement issues). Major changes:

- Adds a practical expedient that enables a company to account for a change in the contractual cash flows that are required by the reform by updating the effective interest rates to reflect, for example, the change in an interest rate benchmark from IBOR to an alternative benchmark rate.
- Provides relief from specific hedge accounting requirements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

(b) **Basis of consolidation**

Subsidiaries are all entities (including structured 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 Group recognizes Cornerstone Group Employee Share Trust as a special purpose entity. The subsidiaries consolidated are Barita Unit Trusts Management Company Limited which is 100% owned and Cornerstone Group Employee Share Trust.

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.

BARITA INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2021****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(b) Basis of consolidation (cont'd)****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.

(c) Investment in associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% and the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognized the investee's share of profit or loss after the date of acquisition.

The group share of its associates post-acquisition profits or losses is recognized in the income statements. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize for losses unless it has incurred obligations or made payments on behalf of the associate.

BARITA INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2021****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(c) Investment in associates (cont'd)**

The results of associates with financial reporting year-ends that are different from the group are determined by prorating the results for the audited period as well as the period covered by management accounts to ensure that a year's result is accounted for, as applicable.

(d) 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.

(e) 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.

(f) 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.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

Financial assets (cont'd)

(i) **Classification (cont'd)**

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.

(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 entirety 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:

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Financial instruments (cont'd)

Financial assets (cont'd)

(iii) Measurement (cont'd)

Debt instruments (cont'd)

- 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.
- 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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Financial instruments (cont'd)

Financial assets (cont'd)

(iii) Measurement (cont'd)

Equity instruments (cont'd)

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.

(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.

(g) Leases

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.

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 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Leases (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 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 have been 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.

The right-of-use assets will be depreciated using the straight-line method 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, the right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of assets which replaced the previous requirement to recognize a provision for onerous lease contracts under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

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.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Leases (cont'd)

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.
- 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 or 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 not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) 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.

(j) 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.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(j) Current and deferred income taxes (cont'd)

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.

(k) 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 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(k) 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
Leasehold improvements	Life of lease
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.

(l) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Impairment of receivables is determined using the simplified approach based on the requirements of IFRS 9.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in profit or loss.

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

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

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.

(n) **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.

(o) **Payables**

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

(p) **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.

(q) **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.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(q) **Employee benefits (cont'd)**

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.

Share based compensation benefits

The group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense, with corresponding increase in equity, over the period in which the employee becomes vested to the group. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At the end of each reporting period, the group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the statement of profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

(r) **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.

(s) **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:

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(s) Related party balances and transactions (cont'd)

- (i) Enterprises and individuals owning, directly or indirectly, a significant 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.

(t) 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.

(u) 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.

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.

(v) 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.

BARITA INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2021****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 the group acts as principal or agent in the management of various managed funds.

IFRS 10, Consolidated Financial Statements, which was adopted by the group on October 1, 2016, resulted in the group assessing its relationship (to determine whether it acts as principal or agent) with various managed funds. These include a number of segregated pension funds, unit trusts and structured entities (collectively, the "managed funds"), managed either by the company or by BUTM.

In determining whether to consolidate managed funds, the Group considers its ability to direct the relevant activities of the entities. Ability to direct the relevant activities is generally evidenced through a unilateral right to liquidate the entities, investment in the securities issued by the entities that gives rise to control or where the Group holds specific subordinate securities that embody certain controlling rights. The Group may further consider relevant activities embedded within contractual arrangements such as call options which give the practical ability to direct the entities, special relationships between the entities and investors, and whether a single investor has a large exposure to variable returns of the entities.

Judgement is required in determining control over managed funds. The purpose and design of the entities are considered, along with a determination of what the relevant activities are of each entity and who directs them. Further judgements are made around which investor is exposed to, and absorbs the variable returns of the entities. The Group weighs all of these facts in considering whether it is acting as a principal in its own right or as an agent on behalf of others. Judgement is further required in the ongoing assessment of control over managed funds, specifically if market conditions have an effect on the variable return exposure of different investors.

The group has therefore concluded that it acts in relation to the managed funds in the capacity of agent, with limitations on its scope of authority, ability to be terminated as fund manager and levels of direct interests and remuneration that are appropriate for the services provided and consistent with industry practices.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

(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:

- 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 JSE.

BARITA INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2021****4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):****(b) Key sources of estimation uncertainty (cont'd)****(i) Fair value estimation (cont'd)**

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.

(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.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

(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 indicating a 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.

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:

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

5. FINANCIAL RISK MANGEMENT (CONT'D):

(i) Assets and Liabilities 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.

(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.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. **FINANCIAL RISK MANGEMENT (CONT'D):**

(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 arises 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 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.

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.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. **FINANCIAL RISK MANGEMENT (CONT'D):**

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

Concentration of credit risk (cont'd)

Loans receivables

	The Group and the Company	
	2021	2020
	\$'000	\$'000
Aging of loans receivables:		
Current	5,992,056	1,722,798
Less: impairment	(80,843)	(5,569)
	5,911,713	1,717,229

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
NOTES TO THE FINANCIAL STATEMENTS
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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 categorized 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.

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 amount 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
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 (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.

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Opening loss allowance as at				
1 October 2020 calculated under IFRS 9	293,607	287,268	292,734	272,095
Increase in loss allowance recognized in the income statement during the year	121,500	27,868	121,500	35,305
Loss allowance utilized during the year	-	(21,529)	-	(14,666)
	<u>415,107</u>	<u>293,607</u>	<u>414,234</u>	<u>292,734</u>

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

5. FINANCIAL RISK MANAGEMENT (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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Government of Jamaica and Bank of Jamaica	19,421,300	20,517,105	19,421,300	20,517,105
Financial Institutions	17,922,423	19,170,537	17,922,423	19,170,537
Corporate and other bonds	<u>30,196,697</u>	<u>15,319,656</u>	<u>30,087,321</u>	<u>15,211,791</u>
	67,540,420	55,007,298	67,431,044	54,899,433
Accrued interest	<u>663,268</u>	<u>516,373</u>	<u>661,276</u>	<u>514,127</u>
	<u>68,203,688</u>	<u>55,523,671</u>	<u>68,092,320</u>	<u>55,413,560</u>

(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 liquidated as protection against any unforeseen interruption to cash flow.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

Liquidity risk management process (cont'd)

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

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

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

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

Financial assets and liabilities cash flows

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

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(b) Liquidity risk (cont'd)

Financial assets and liabilities cash flows (cont'd)

	The Group					
	2021					
	Within 1 Month \$'000	1 to 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	8,635	-	-	-	-	8,635
Due to related parties	144,013	-	-	-	-	144,013
Securities sold under repurchase agreements	16,713,667	17,508,725	11,625,257	73,995	-	45,921,644
Secured investment notes	414,096	607,959	-	-	-	1,022,055
Payables	5,915,703	-	-	-	-	5,915,703
Lease liability	3,566	7,124	32,139	161,660	70,351	274,840
Total financial liabilities	23,199,680	18,123,808	11,657,396	235,655	70,351	53,286,890
Based on expected maturity -						
Total financial liabilities	17,127,763	18,116,684	11,625,257	73,995	-	46,943,699
Total financial assets	16,447,108	3,113,541	10,574,121	23,537,827	49,021,874	102,694,471
	2020					
	Within 1 Month \$'000	1 to 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 parties	273,744	-	-	-	-	273,744
Securities sold under repurchase agreements	14,131,290	14,824,811	5,631,980	23,312	-	34,611,393
Secured investment notes	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

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(b) Liquidity risk (cont'd)

Financial assets and liabilities cash flows (cont'd)

	The Company					
	2021					
	Within 1 Month \$'000	1 to 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	7,725	-	-	-	-	7,725
Due to related parties	5,589	-	-	-	-	5,589
Securities sold under						
repurchase agreements	16,713,667	17,578,696	11,625,257	73,995	-	45,991,615
Secured investment notes	755,493	659,741	-	-	-	1,415,234
Payables	5,866,515	-	-	-	-	5,866,515
Lease liability	<u>3,566</u>	<u>7,124</u>	<u>32,139</u>	<u>161,660</u>	<u>70,351</u>	<u>274,840</u>
Total financial liabilities	<u>23,352,555</u>	<u>18,245,561</u>	<u>11,657,396</u>	<u>235,655</u>	<u>70,351</u>	<u>53,561,518</u>
Based on expected maturity -						
Total financial liabilities	<u>17,469,160</u>	<u>18,238,437</u>	<u>11,625,257</u>	<u>73,995</u>	<u>-</u>	<u>47,406,849</u>
Total financial assets	<u>16,447,108</u>	<u>3,113,541</u>	<u>10,574,121</u>	<u>23,414,316</u>	<u>49,002,086</u>	<u>102,551,172</u>
	2020					
	Within 1 Month \$'000	1 to 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 parties	397,308	-	-	-	-	397,308
Securities sold under						
repurchase agreements	14,188,010	14,862,187	5,631,980	23,312	-	34,705,489
Secured investment notes	611,947	-	-	-	-	611,947
Payables	7,120,704	-	-	-	-	7,120,704
Lease liability	<u>1,528</u>	<u>3,084</u>	<u>17,575</u>	<u>114,698</u>	<u>145,413</u>	<u>282,298</u>
Total financial liabilities	<u>22,328,217</u>	<u>14,865,271</u>	<u>5,649,555</u>	<u>138,010</u>	<u>145,413</u>	<u>43,126,466</u>
Based on expected maturity -						
Total financial liabilities	<u>14,799,957</u>	<u>14,862,187</u>	<u>5,631,980</u>	<u>23,312</u>	<u>-</u>	<u>35,317,436</u>
Total financial assets	<u>11,074,926</u>	<u>8,821,101</u>	<u>3,630,490</u>	<u>20,445,175</u>	<u>32,309,129</u>	<u>76,280,821</u>

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

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 \$45,917,620,000 (2020 - \$34,611,393,000) for the group and \$45,847,649,000 (2020 - \$34,705,489,000) for the company.

(c) Market risk

The group takes on exposure to market risk, 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 risk mainly arises 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 United States dollar, Canadian dollar and British pound. The group sets limits on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily.

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

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

	The Group				
	CAD	US\$	GBP	Jamaican	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
	2021				
Financial Assets					
Investments in associate	-	-	-	2,053,423	2,053,423
Cash and bank balances	289	1,377,090	1,486	2,437,461	3,816,326
Securities purchased under resale agreements	-	5,255,459	-	3,616,677	8,872,136
Marketable securities and pledged assets	-	22,384,037	51,984	41,986,678	64,422,699
Receivables	-	250,995	-	830,309	1,081,304
Loans receivables	-	-	-	5,911,713	5,911,713
Due from related parties	-	-	-	2,518,556	2,518,556
Total financial assets	289	29,267,581	53,470	59,354,817	88,709,157
Financial Liabilities					
Bank overdraft	-	-	-	8,635	8,635
Securities sold under repurchase agreement	-	18,752,774	-	26,839,744	45,592,518
Secured investment notes	-	607,146	-	414,909	1,022,055
Payables	-	455,925	-	5,459,778	5,915,703
Due to related parties	-	-	-	144,013	144,013
Lease liability	-	68,120	-	206,720	274,840
Total financial liabilities	-	19,883,965	-	33,073,799	52,957,764
Net financial position	289	9,383,616	53,470	26,281,018	35,751,393

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**(c) **Market risk (cont'd)**(i) **Currency risk (cont'd)**

	The Group				
	CAD	US\$	GBP	Jamaican	Total
	J\$'000	J\$'000	J\$'000	J\$'000	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	<u>834</u>	<u>20,608,779</u>	<u>43,371</u>	<u>48,711,722</u>	<u>69,364,706</u>
Financial Liabilities					
Bank overdraft	-	-	-	8,720	8,720
Securities sold under repurchase agreement	-	11,419,021	-	23,027,598	34,446,619
Secured investment notes	-	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	<u>-</u>	<u>12,272,272</u>	<u>-</u>	<u>30,321,370</u>	<u>42,593,642</u>
Net financial position	<u>834</u>	<u>8,336,507</u>	<u>43,371</u>	<u>18,390,352</u>	<u>26,771,064</u>

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

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

	The Company				
	CAD	US\$	GBP	Jamaican	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
	2021				
Financial Assets					
Investment in associate	-	-	-	2,053,423	2,053,423
Cash and bank balances	289	1,327,151	1,486	2,289,820	3,618,746
Securities purchased under resale agreements	-	5,255,459	-	3,616,677	8,872,136
Marketable securities and pledged assets	-	22,244,122	51,984	41,941,449	64,237,555
Receivables	-	225,442	-	855,862	1,081,304
Loans receivables	-	-	-	5,911,713	5,911,713
Due from related parties	-	197	-	2,522,843	2,523,040
Total financial assets	<u>289</u>	<u>29,052,371</u>	<u>53,470</u>	<u>59,191,887</u>	<u>88,297,917</u>
Financial Liabilities					
Bank overdraft	-	-	-	7,725	7,725
Securities sold under repurchase agreement	-	18,782,267	-	26,882,603	45,664,870
Secured investment notes	-	983,909	-	431,325	1,415,234
Payables	-	455,925	-	5,410,590	5,866,515
Due to related parties	-	-	-	5,589	5,589
Lease liability	-	68,120	-	206,720	274,840
Total financial liabilities	<u>-</u>	<u>20,290,221</u>	<u>-</u>	<u>32,944,552</u>	<u>52,234,773</u>
Net financial position	<u>289</u>	<u>8,762,150</u>	<u>53,470</u>	<u>26,247,335</u>	<u>36,063,144</u>

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

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

	The Company				
	CAD	US\$	GBP	Jamaican	Total
	J\$'000	J\$'000	J\$'000	J\$'000	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	<u>834</u>	<u>20,400,215</u>	<u>43,371</u>	<u>48,375,537</u>	<u>68,819,957</u>
Financial Liabilities					
Bank overdraft	-	-	-	8,720	8,720
Securities sold under repurchase agreement	-	11,513,117	-	23,027,863	34,540,980
Secured investment notes	-	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	<u>-</u>	<u>12,250,820</u>	<u>-</u>	<u>30,711,137</u>	<u>42,961,957</u>
Net financial position	<u>834</u>	<u>8,149,395</u>	<u>43,371</u>	<u>17,664,400</u>	<u>25,858,000</u>

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

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 changes in currency rates below represent management's assessment of reasonably possible changes in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 8% devaluation and 2% revaluation in the value of the Jamaican dollar (JMD) (2020 - 6% devaluation and 2% revaluation). The sensitivity analysis includes cash and bank balances, securities purchased under resale agreements, marketable securities and securities sold under repurchase agreements.

Currency	The Group and Company						
	% Change In Currency Rate 2021	Effect on Profit before Tax 2021 \$'000	Effect on other components of Equity 2021 \$'000	% Change in Currency Rate 2020	Effect on Profit before Tax 2020 \$'000	Effect on Other components of Equity 2020 \$'000	
	CAD (devaluation of JMD)	8	23	-	6	50	-
	CAD (revaluation of JMD)	(2)	(6)	-	(2)	(17)	-
USD (devaluation of JMD)	8	750,689	-	6	500,190	3,289,511	
USD (revaluation of JMD)	(2)	(187,672)	(1,308,118)	(2)	(166,730)	(1,096,504)	
GBP (devaluation of JMD)	8	4,278	-	6	2,602	-	
GBP (revaluation of JMD)	(2)	(1,069)	-	(2)	(867)	-	

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

(ii) **Interest rate risk**

Interest rate risk is the risk that the value of 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 summarize the group's and company's exposure to interest rate risk. It includes financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	The Group						
	2021						
	Within 1 Month \$'000	1 to 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	3,816,326	-	-	-	-	-	3,816,326
Securities purchased under resale agreements	6,412,007	2,402,151	57,978	-	-	-	8,872,136
Marketable securities and pledged assets	9,979,393	685,987	6,653,613	18,586,860	23,414,920	5,101,926	64,422,699
Receivables	-	-	-	-	-	1,081,304	1,081,304
Loan receivables	5,911,713	-	-	-	-	-	5,911,713
Due from related parties	-	-	-	-	-	2,518,556	2,518,556
Investment in associate	-	-	-	-	-	2,053,423	2,053,423
Total financial assets	26,119,439	3,088,138	6,711,591	18,586,860	23,414,920	10,755,209	88,676,157
Financial Liabilities							
Bank overdraft	8,635	-	-	-	-	-	8,635
Securities sold under repurchase agreements	16,878,473	17,317,736	11,325,320	70,989	-	-	45,592,518
Secured investment notes	419,291	602,764	-	-	-	-	1,022,055
Payables	-	-	-	-	-	5,915,703	5,915,703
Due to related parties	-	-	-	-	-	144,013	144,013
Lease liability	3,566	7,124	32,139	161,660	70,351	-	274,840
Total financial liabilities	17,309,965	17,927,624	11,357,459	232,649	70,351	6,059,716	52,957,764
Total interest repricing gap	8,809,474	(14,839,486)	(4,645,268)	18,354,211	23,344,569	4,695,493	35,718,393
Cumulative gap	8,809,474	(6,030,012)	(10,675,880)	7,678,331	31,022,900	35,718,393	

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	The Group						
	2020						
	Within 1 Month \$'000	1 to 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
Secured investment notes	611,947	-	-	-	-	-	611,947
Payables	-	-	-	-	-	6,970,314	6,970,314
Due to related parties	-	-	-	-	-	273,744	273,744
Lease liability	1,528	3,084	17,575	114,698	145,413	-	282,298
Total financial liabilities	14,740,792	14,759,305	5,566,866	137,208	145,413	7,244,058	42,593,642
Total interest repricing gap	2,848,730	(4,144,703)	(2,256,674)	14,970,176	17,632,150	(2,278,615)	26,771,064
Cumulative gap	2,848,730	(1,295,973)	(3,552,647)	11,417,529	29,049,679	26,771,064	-

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	The Company						
	2021						
	Within 1 Month \$'000	1 to 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	3,618,746	-	-	-	-	-	3,618,746
Securities purchased under resale agreements	6,412,007	2,402,152	57,977	-	-	-	8,872,136
Marketable securities and pledged assets	9,979,393	685,986	6,653,614	18,500,887	23,400,285	5,017,390	64,237,555
Receivables	-	-	-	-	-	1,061,843	1,061,843
Loan receivables	5,911,713	-	-	-	-	-	5,911,713
Due from related parties	-	-	-	-	-	2,523,040	2,523,040
Investment in associate	-	-	-	-	-	2,053,423	2,053,423
Total financial assets	<u>25,921,859</u>	<u>3,088,138</u>	<u>6,711,591</u>	<u>18,500,887</u>	<u>23,400,285</u>	<u>10,655,696</u>	<u>88,278,456</u>
Financial Liabilities							
Bank overdraft	7,725	-	-	-	-	-	7,725
Securities sold under Repurchase agreements	16,881,258	17,387,303	11,325,320	70,989	-	-	45,664,870
Secured investment notes	763,448	651,786	-	-	-	-	1,415,234
Payables	-	-	-	-	-	5,866,515	5,866,515
Due to related parties	-	-	-	-	-	5,589	5,589
Lease liability	3,566	7,124	32,139	161,660	70,351	-	274,840
Total financial liabilities	<u>17,655,997</u>	<u>18,046,213</u>	<u>11,357,459</u>	<u>232,649</u>	<u>70,351</u>	<u>5,872,104</u>	<u>53,234,773</u>
Total interest repricing gap	<u>8,265,862</u>	<u>(14,958,075)</u>	<u>(4,645,868)</u>	<u>18,268,238</u>	<u>23,329,934</u>	<u>4,783,592</u>	<u>35,043,683</u>
Cumulative gap	<u>8,265,862</u>	<u>(6,692,213)</u>	<u>(11,338,081)</u>	<u>6,930,157</u>	<u>30,260,091</u>	<u>35,043,683</u>	

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	The Company						
	2020						
	Within 1 Month \$'000	1 to 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
Secured investment notes	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 2021

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					
	2021					
	Within 1	1 to 3	3 to 12	1 to 5	Over	Average
	Month	Months	Months	Years	5 Years	%
	%	%	%	%	%	%
Marketable securities						
-denominated in JA\$	-	2.22	4.89	6.06	8.06	5.31
-denominated in US\$	-	4.56	5.42	2.14	6.77	4.72
-denominated in GBP	-	-	-	3.12	-	3.12
Securities purchased under resale agreements						
-denominated in JA\$	-	3.25	4.06	4.00	-	3.77
-denominated in US\$	-	2.89	-	-	-	2.89
Securities sold under repurchase agreements						
-denominated in JA\$	-	2.83	3.09	4.25	-	3.39
-denominated in US\$	-	3.15	3.62	4.13	-	3.63
-denominated in GBP	-	2.00	-	-	-	2.00
Loan note						
-denominated in US\$	-	3.50	-	-	-	3.50
-denominated in JA\$	-	0.50	-	-	-	0.50

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
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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					
	Within 1	1 to 3	3 to 12	1 to 5	Over	Average
	Month	Months	Months	Years	5 Years	%
	%	%	%	%	%	%
Marketable securities						
-denominated in JA\$	-	2.11	3.99	5.91	8.11	5.03
-denominated in US\$	-	-	9.59	3.31	8.00	6.10
-denominated in GBP	-	-	-	10.00	5.75	7.88
Securities purchased under resale agreements						
-denominated in JA\$	-	1.67	2.99	-	-	2.33
-denominated in US\$	-	2.37	-	-	-	2.37
-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
-denominated in GBP	-	-	-	-	-	0.50
Loan note						
-denominated in US\$	-	2.00	-	-	-	2.00
-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 2021

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 FVOCI 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 2021 \$'000	Effect on Other Components of Equity 2021 \$'000	Effect on Profit before Taxation 2020 \$'000	Effect on Other Components of Equity 2020 \$'000
	The Group			
Change in basis points				
-300/-50 (2020: -100/-100)	64,036	549,773	26,287	(127,677)
+300/+50 (2020: +100/+100)	(64,036)	(549,773)	(26,287)	127,677
	The Company			
Change in basis points				
-300/-50 (2020: -100/-100)	64,036	546,492	26,287	(127,600)
+300/+50 (2020: +100/+100)	(64,036)	(546,492)	(26,287)	127,600

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

(iii) **Price risk**

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instruments or their issuers 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. The analysis is based on the assumption that the equity and unit trust prices had increased by 5% (2020 - +7%) and decreased by 5% (2020 - 12.5%).

	Effect on Other Comprehensive Income before Taxation 2021 \$'000	Effect on Other Comprehensive Income before Taxation 2020 \$'000
	The Group	
Changes in index		
+5% (2020: +7%)	181,798	32,246
-5% (2020: -12.5%)	<u>(181,798)</u>	<u>(53,744)</u>
	The Company	
Changes in index		
+5% (2020: +7%)	178,000	27,067
-5% (2020: -12.5%)	<u>(178,000)</u>	<u>(45,111)</u>

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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 by the group's management employing techniques based on the guidelines developed by the FSC. The required information is filed with the FSC on a monthly basis.

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

The FSC requires each regulated entity to:

- (i) Hold the minimum level of 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.

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

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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.

	<u>The Group</u>		
	<u>2021</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investment securities fair value through profit or loss			
Equity securities	1,843,951	625,285	2,469,236
Investment securities fair value through other comprehensive income			
Debt securities	-	59,329,374	59,329,374
Equity securities	<u>1,166,720</u>	<u>-</u>	<u>1,166,720</u>
	<u>3,010,671</u>	<u>59,954,659</u>	<u>62,965,330</u>
	<u>2020</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
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	<u>-</u>	<u>47,476,821</u>	<u>47,476,821</u>
	<u>172,377</u>	<u>47,733,996</u>	<u>47,906,373</u>

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

	<u>The Company</u>		
	<u>2021</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investment securities fair value through profit or loss			
Equity securities	1,843,371	549,912	2,393,283
Investment securities fair value through other comprehensive income			
Debt securities	-	59,220,183	59,220,183
Equity securities	<u>1,166,720</u>	<u>-</u>	<u>1,166,720</u>
	<u>3,010,091</u>	<u>59,770,095</u>	<u>62,780,186</u>
	<u>2020</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
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	<u>-</u>	<u>47,366,115</u>	<u>47,366,115</u>
	<u>172,377</u>	<u>47,554,627</u>	<u>47,727,004</u>

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

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

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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 securities 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 managed funds
- (c) Other operations - this includes the operation of foreign exchange cambio, investment banking, stock broking and any other income.

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

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

6. SEGMENT REPORTING (CONT'D):

	<u>The Group</u>			
	<u>2021</u>			
	<u>Fixed</u>	<u>Funds</u>	<u>Other</u>	<u>Group</u>
	<u>Income</u>	<u>Management</u>	<u>\$'000</u>	<u>\$'000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Total segment revenue	4,354,765	3,366,790	1,946,665	9,668,220
Inter-segment revenue	(17,263)	(70,667)	-	(87,930)
Total gross external revenue	<u>4,337,502</u>	<u>3,296,123</u>	<u>1,946,665</u>	<u>9,580,290</u>
Total expenses	(1,424,147)	(70,667)	-	(1,494,814)
Inter-segment expense	<u>17,263</u>	<u>70,667</u>	-	<u>87,930</u>
	<u>(1,406,884)</u>	-	-	<u>(1,406,884)</u>
Segment results	<u>2,930,618</u>	<u>3,296,123</u>	<u>1,946,665</u>	<u>8,173,406</u>
Unallocated expenses				<u>(3,051,533)</u>
Profit before tax				5,121,873
Taxation				<u>(1,063,276)</u>
Net profit				<u>4,058,597</u>
Segment assets	73,109,691	1,628,678	7,965,136	82,703,505
Inter-segment assets	-	<u>(1,230,002)</u>	-	<u>(1,230,002)</u>
Net-segment assets	<u>73,109,691</u>	<u>398,676</u>	<u>7,965,136</u>	<u>81,473,503</u>
Unallocated assets				<u>8,735,522</u>
Total assets				<u>90,209,025</u>
Segment liabilities	45,664,870	386,746	-	46,051,616
Inter- segment liabilities	<u>(72,352)</u>	<u>(145,295)</u>	-	<u>(217,647)</u>
Net segment liabilities	<u>45,592,518</u>	<u>241,451</u>	-	<u>45,833,969</u>
Unallocated liabilities				<u>8,128,740</u>
Total liabilities				<u>53,962,709</u>
Other segment items				
Depreciation (Note 18)	79,484	164	-	79,648
Amortisation (Note 19)	<u>9,147</u>	<u>-</u>	<u>-</u>	<u>9,147</u>

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

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

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

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

6. SEGMENT REPORTING (CONT'D):

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

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit from reportable segments	8,173,406	5,016,037
Unallocated costs - Operating expenses	<u>(3,051,533)</u>	<u>(1,910,068)</u>
	<u>5,121,873</u>	<u>3,105,969</u>

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

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Segment assets from reportable segments	81,473,503	59,398,343
Unallocated assets -		
Cash and bank balances	3,618,746	5,179,013
Receivables	1,061,843	2,969,487
Due from related parties	2,523,040	1,729,171
Property, plant and equipment	1,013,441	608,682
Intangible assets	19,478	18,399
Investments	55,000	55,000
Investment property	210,000	203,400
Right-of-use assets	233,974	256,588
Taxation recoverable	-	273,130
	<u>90,209,025</u>	<u>70,691,213</u>

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

	<u>The Group</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Segment assets from reportable segments	45,833,969	34,575,777
Unallocated liabilities -		
Secured investment notes	1,022,055	611,947
Bank overdraft	7,725	8,720
Payables	5,866,515	7,120,704
Due to related parties	5,589	4,479
Taxation payable	901,522	-
Deferred tax liabilities	50,494	606,608
Lease liability	<u>274,840</u>	<u>282,298</u>
	<u>53,962,709</u>	<u>43,210,533</u>

BARITA INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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7. STAFF COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Wages and salaries	785,555	595,172	741,874	587,448
Commissions	107,549	81,183	107,549	81,183
Statutory contributions	87,877	61,829	84,014	58,293
Pension costs	37,045	27,155	35,609	25,576
Other staff benefits	106,080	80,751	104,070	77,901
Stock option (Note 32(b))	<u>130,200</u>	<u>-</u>	<u>130,200</u>	<u>-</u>
	<u>1,254,306</u>	<u>846,090</u>	<u>1,203,316</u>	<u>830,401</u>

8. EXPENSES BY NATURE:

Total direct and administration expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Advertising and promotion	179,525	129,689	171,579	119,163
Assets tax	108,011	68,255	108,011	68,255
Auditor's remuneration	10,248	10,451	7,193	7,396
Impairment of financial assets	6,447	110,794	5,113	8,278
Bank charges and interest	14,400	15,054	14,400	15,054
Depreciation and amortisation (Notes 18 and 19)	88,795	62,144	88,631	61,980
Directors' fees (Notes 17)	20,025	16,395	20,025	16,395
Donations	26,130	31,893	26,130	31,893
Expected credit losses	202,788	33,437	202,788	40,874
Insurance	21,425	12,079	21,425	12,079
Office expenses	35,644	32,465	34,541	31,083
Professional fees	95,896	81,279	91,324	67,485
Registration and license fees	61,547	33,123	56,993	29,069
Rent	37,779	25,795	37,779	20,124
Management fees	468,569	205,865	468,280	191,873
Repairs and maintenance	18,030	19,446	18,030	19,446
Security costs	49,703	38,156	49,703	38,156
Software maintenance	67,192	52,057	67,192	52,057
Staff costs (Note 7)	1,254,306	846,090	1,203,316	830,401
Utilities	16,992	8,768	10,641	8,768
Other expenses	<u>268,081</u>	<u>274,765</u>	<u>261,978</u>	<u>185,229</u>
	<u>3,051,633</u>	<u>2,108,000</u>	<u>2,965,072</u>	<u>1,855,058</u>

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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%:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current year tax charge	1,199,876	362,680	1,055,682	221,719
Prior year under/(over) provision	326,204	(361,814)	343,426	(361,814)
Deferred income tax (Note 27)	(462,804)	346,574	(461,896)	368,725
Tax charge	<u>1,063,276</u>	<u>347,440</u>	<u>937,212</u>	<u>228,630</u>

- (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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>5,121,873</u>	<u>3,105,969</u>	<u>4,690,739</u>	<u>2,824,211</u>
Tax calculated at 33 1/3 %	1,707,291	1,035,323	1,563,580	941,403
Adjusted for the effects of:				
Income not subject to tax	(835,105)	(455,433)	(832,780)	(444,007)
Expenses not allowable for tax purpose	647,403	243,294	633,663	182,416
Other charges and allowances	(456,313)	(475,744)	(427,251)	(451,182)
Tax charge	<u>1,063,276</u>	<u>347,440</u>	<u>937,212</u>	<u>228,630</u>

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2021

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

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

	<u>The Group</u>					
	<u>2021</u>			<u>2020</u>		
	<u>\$'000</u>			<u>\$'000</u>		
	<u>Before tax</u>	<u>Taxation</u>	<u>After tax</u>	<u>Before tax</u>	<u>Taxation</u>	<u>After tax</u>
Revaluation gains on property, plant and equipment net of taxes	15,910	(5,303)	10,607	-	-	-
Realised gains/losses on securities at FVOCI	(1,296,014)	432,005	(864,009)	781,541	(260,513)	521,028
ECL adjustment on securities at FVOCI	121,500	(40,500)	81,000	6,339	(2,113)	4,226
Unrealised gains/losses on securities at FVOCI	751,395	(249,952)	501,443	(1,644,520)	548,173	(1,096,347)
Share based payment expense	<u>130,200</u>	<u>(43,400)</u>	<u>86,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(277,009)</u>	<u>92,850</u>	<u>(184,159)</u>	<u>(856,640)</u>	<u>285,547</u>	<u>(571,093)</u>

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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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):

	<u>The Company</u>					
	<u>2021</u>			<u>2020</u>		
	<u>\$'000</u>			<u>\$'000</u>		
	<u>Before tax</u>	<u>Taxation</u>	<u>After tax</u>	<u>Before tax</u>	<u>Taxation</u>	<u>After tax</u>
Revaluation gains on property, plant and equipment net of taxes	15,910	(5,303)	10,607	-	-	-
Realised gains/losses on securities at FVOCI	(1,295,822)	431,941	(863,881)	777,131	(259,043)	518,088
ECL Adjustment on securities FVOCI	121,500	(40,500)	81,000	20,639	(6,880)	13,759
Unrealised losses/gains on securities at FVOCI	745,561	(248,520)	497,041	(1,783,181)	594,394	(1,188,787)
Share based payment expense	<u>130,200</u>	<u>(43,400)</u>	<u>86,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(282,651)</u>	<u>94,218</u>	<u>(188,433)</u>	<u>(985,411)</u>	<u>328,471</u>	<u>(656,940)</u>

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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:

	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Holding company	3,753,527	2,582,129
Subsidiary	<u>305,070</u>	<u>176,400</u>
	<u>4,058,597</u>	<u>2,758,529</u>

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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>	<u>2021</u> <u>\$'000</u>	<u>2020</u> <u>\$'000</u>
Cash in hand	188	125	175	125
Cash at bank	<u>3,816,138</u>	<u>5,277,483</u>	<u>3,618,571</u>	<u>5,178,888</u>
Bank overdraft	3,816,326 <u>(8,635)</u>	5,277,608 <u>(8,720)</u>	3,618,746 <u>(7,725)</u>	5,179,013 <u>(8,720)</u>
	<u>3,807,691</u>	<u>5,268,888</u>	<u>3,611,021</u>	<u>5,170,293</u>

Cash at bank comprises mainly amounts held in current accounts, which attract interest at 0.25% - 1%.

The group's overdraft facilities of \$35,000,000 (2020 - \$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 (2020 - \$35,000,000). The weighted average effective interest rate on the overdraft facilities is 17.85% (2020 - 17.85%).

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS:

The group and company have entered into repurchase agreements collateralised 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 \$25,613,557 (2020 - \$27,698,000).

BARITA INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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13. INVESTMENT SECURITIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Fair value through profit or loss -				
Quoted equities	<u>1,856,567</u>	<u>178,697</u>	<u>1,855,987</u>	<u>178,298</u>
Fair value through other comprehensive income -				
Government of Jamaica (GOJ) bonds	19,421,300	20,517,105	19,421,300	20,517,105
Corporate bonds	39,244,808	26,443,210	39,137,608	26,334,884
Unit Trust Funds	612,667	251,253	537,295	182,590
Quoted equities	<u>1,166,720</u>	<u>-</u>	<u>1,166,720</u>	<u>-</u>
	<u>60,445,495</u>	<u>47,211,568</u>	<u>60,162,923</u>	<u>47,034,579</u>
	62,302,062	47,390,265	62,118,910	47,212,877
Accrued interest	<u>663,268</u>	<u>516,108</u>	<u>661,276</u>	<u>514,127</u>
	<u>62,965,330</u>	<u>47,906,373</u>	<u>62,780,186</u>	<u>47,727,004</u>
Amortised cost				
Other investment securities	<u>1,457,369</u>	<u>1,458,450</u>	<u>1,457,369</u>	<u>1,458,450</u>
	64,422,699	49,364,823	64,237,555	49,185,454
Less: Pledged assets (Note 14)	<u>(50,293,982)</u>	<u>(35,425,728)</u>	<u>(50,293,982)</u>	<u>(35,425,728)</u>
	<u>14,128,717</u>	<u>13,939,095</u>	<u>13,943,573</u>	<u>13,759,726</u>

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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 BOJ and other financial institutions.

	<u>The Group and Company</u>			
	<u>Asset</u>		<u>Related Liability</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investment securities (Note 13)				
Pledged with customers	29,413,613	15,904,671	27,304,712	15,904,671
Pledged with BOJ and other financial institutions	<u>20,880,369</u>	<u>19,521,057</u>	<u>18,085,100</u>	<u>19,521,057</u>
	<u>50,293,982</u>	<u>35,425,728</u>	<u>45,389,812</u>	<u>35,425,728</u>

15. RECEIVABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Receivable from clients	523,090	2,353,406	523,090	2,353,406
Prepaid expenses	57,071	31,461	55,023	29,506
Withholding tax	469,107	394,048	469,107	379,184
Other	<u>32,036</u>	<u>207,493</u>	<u>14,623</u>	<u>207,391</u>
	<u>1,081,304</u>	<u>2,986,408</u>	<u>1,061,843</u>	<u>2,969,487</u>

Receivables collectible within twelve months amounted to \$681,304,000 (2020 - \$1,193,373,000) for the group and \$661,843,000 (2020 - \$1,195,328,000) 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 28).

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

	<u>2021</u>	<u>2020</u>
Net profit attributable to ordinary shareholders (\$'000)	4,058,597	2,758,529
Weighted average number of ordinary shares in issue	1,088,927	829,287
Basic earnings per share (\$ per share)	<u>3.73</u>	<u>3.33</u>

The increase in the number of shares represents shares issued through an additional public offer on 21 September 2021.

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

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

BARITA INVESTMENTS LIMITED
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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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest income on loans & investments				
Ultimate parent company	122,373	4,452	122,373	4,452
Other related entities	18,672	9,156	18,672	9,156
Directors and key management personnel	<u>366</u>	<u>272</u>	<u>366</u>	<u>272</u>
	<u>141,411</u>	<u>13,880</u>	<u>141,411</u>	<u>13,880</u>
Other income				
Ultimate parent company	768,525	719,983	768,525	719,983
Subsidiaries	-	-	1,200	1,200
Other related entities	<u>155,287</u>	<u>28,626</u>	<u>155,287</u>	<u>28,626</u>
	<u>923,812</u>	<u>748,609</u>	<u>925,012</u>	<u>749,809</u>
Interest expense on repurchase agreements/loans				
Ultimate parent company	21,419	56,438	21,419	56,438
Subsidiaries	-	-	15,211	1,679
Other related entities	143,096	88,640	143,096	88,640
Directors and key management personnel	<u>7,667</u>	<u>1,800</u>	<u>7,667</u>	<u>1,800</u>
	<u>172,182</u>	<u>146,878</u>	<u>187,393</u>	<u>148,557</u>

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

BARITA INVESTMENTS LIMITED

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

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>Asset Balances</u>				
Loans - (included in loans receivable)				
Directors/Key Management Personal	<u>177,039</u>	<u>70,823</u>	<u>177,039</u>	<u>70,823</u>
Investments - (included in investment securities)				
Ultimate parent company	-	3,910,000	-	3,910,000
Other related entities	<u>1,427,264</u>	<u>748,852</u>	<u>1,351,891</u>	<u>730,186</u>
	<u>1,427,264</u>	<u>4,658,852</u>	<u>1,351,891</u>	<u>4,640,186</u>
Other assets -				
Ultimate parent company	1,835,920	1,643,090	1,835,920	1,643,090
Subsidiaries	-	-	83,160	186
Other related entities	<u>682,636</u>	<u>335,904</u>	<u>603,960</u>	<u>78,121</u>
	<u>2,518,556</u>	<u>1,978,994</u>	<u>2,523,040</u>	<u>1,721,397</u>
<u>Liability Balances</u>				
Repurchase agreements -				
(included in securities sold under repurchase agreements)				
Subsidiaries	-	-	69,762	94,361
Directors/Key Management Personnel	240,580	31,169	240,580	31,169
Other related entities	<u>3,750,556</u>	<u>3,212,868</u>	<u>3,750,556</u>	<u>3,212,868</u>
	<u>3,991,136</u>	<u>3,244,037</u>	<u>4,060,898</u>	<u>3,338,398</u>
Secured investment notes (included in secured investment note)				
Ultimate parent company	82,841	-	82,841	-
Subsidiaries	-	-	395,768	-
Directors/Key Management Personnel	19,650	-	19,650	-
Other related entities	<u>583,356</u>	<u>-</u>	<u>583,356</u>	<u>-</u>
	<u>685,847</u>	<u>-</u>	<u>1,081,615</u>	<u>-</u>
Other liabilities -				
Subsidiaries	-	-	5,509	392,829
Other related entities	<u>144,013</u>	<u>273,745</u>	<u>80</u>	<u>4,479</u>
	<u>144,013</u>	<u>273,745</u>	<u>5,589</u>	<u>397,308</u>

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

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

(c) **Key management compensation**

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries	203,295	128,027	203,295	128,027
Statutory deductions	20,501	13,142	20,501	13,142
Pension	3,738	2,852	3,738	2,852
Commission	<u>20,605</u>	<u>17,330</u>	<u>20,605</u>	<u>17,330</u>
	<u>248,139</u>	<u>161,351</u>	<u>248,139</u>	<u>161,351</u>

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Staff costs - Directors and key management personnel				
Directors	-	25,720	-	25,720
Senior executives	<u>378,339</u>	<u>162,071</u>	<u>378,339</u>	<u>162,071</u>
	<u>378,339</u>	<u>187,791</u>	<u>378,339</u>	<u>187,791</u>
Administration and other expenses				
Ultimate parent company	468,280	205,865	468,280	205,865
Subsidiaries	-	-	18	13,572
Directors' fees (Note 8)	<u>20,025</u>	<u>16,395</u>	<u>20,025</u>	<u>16,395</u>
	<u>488,305</u>	<u>222,260</u>	<u>488,323</u>	<u>235,832</u>

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18. PROPERTY, PLANT AND EQUIPMENT:

	The Group						Total \$'000
	Land & Buildings \$'000	Office Furniture, Machines & Equipment \$'000	Computer Equipment \$'000	Work-in- Progress \$'000	Leasehold Improvement \$'000	Motor Vehicles \$'000	
	2021						
At Cost or Valuation -							
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
Additions	22,116	82,857	23,459	-	318,268	22,200	468,900
Revaluation	15,910	-	-	-	-	-	15,910
Disposals	-	-	-	-	-	(8,178)	(8,178)
Transfer	-	40,300	-	(122,533)	82,233	-	-
30 September 2021	<u>412,953</u>	<u>203,123</u>	<u>144,488</u>	<u>-</u>	<u>400,501</u>	<u>64,721</u>	<u>1,225,786</u>
Depreciation -							
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
Charge for the year	13,662	12,694	28,671	-	10,348	14,273	79,648
Disposals	-	-	-	-	-	(7,611)	(7,611)
30 September 2021	<u>50,552</u>	<u>32,380</u>	<u>93,812</u>	<u>-</u>	<u>10,348</u>	<u>24,278</u>	<u>211,370</u>
Net Book Value -							
30 September 2021	<u>362,401</u>	<u>170,743</u>	<u>50,676</u>	<u>-</u>	<u>390,153</u>	<u>40,443</u>	<u>1,014,416</u>
30 September 2020	<u>338,037</u>	<u>60,280</u>	<u>55,888</u>	<u>122,533</u>	<u>-</u>	<u>33,083</u>	<u>609,821</u>

Work-in-progress amounting to \$122,533,000 relates to the renovations carried out on right-of-use asset located at the Panjam Building, 60 Knutsford Boulevard, Kingston 5. Renovations for the Panjam Building were completed during the year and the total cost transferred to leasehold improvement and office furniture.

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

	The Company						
	Land & Buildings	Office Furniture, Machines & Equipment	Computer Equipment	Work-in-Progress	Leasehold Improvement	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<u>2021</u>						
At Cost or Valuation -							
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	-	-	<u>26,833</u>	-	-	-	<u>26,833</u>
30 September 2020	373,809	78,747	116,567	122,533	-	51,557	743,213
Additions	22,116	82,857	23,459	-	318,268	22,200	468,900
Revaluation	15,910	-	-	-	-	-	15,910
Disposal	-	-	-	-	-	(8,178)	(8,178)
Transfer	-	<u>40,300</u>	-	<u>(122,533)</u>	<u>82,233</u>	-	-
30 September 2021	<u>411,835</u>	<u>201,904</u>	<u>140,026</u>	-	<u>400,501</u>	<u>65,579</u>	<u>1,219,845</u>
Depreciation -							
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
Charge for the year	13,662	12,548	28,653	-	10,348	14,273	79,484
Adjustments	-	-	-	-	-	(7,611)	(7,611)
30 September 2021	<u>49,434</u>	<u>32,096</u>	<u>89,390</u>	-	<u>10,348</u>	<u>25,136</u>	<u>206,404</u>
Net Book Value -							
30 September 2021	<u>362,401</u>	<u>169,808</u>	<u>50,636</u>	-	<u>390,153</u>	<u>40,443</u>	<u>1,013,441</u>
30 September 2020	<u>338,037</u>	<u>59,199</u>	<u>55,830</u>	<u>122,533</u>	-	<u>33,083</u>	<u>608,682</u>

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

The group's land and building were revalued as at 17 May 2021 by D C Tavares & Finson Realty Limited, professionally qualified property appraisers. The valuations were done on the basis of open market value.

The items of 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.

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19. **INTANGIBLE ASSETS:****The Group and Company**

	<u>Computer Software</u>
At Cost or Valuation -	
30 September 2019	162,508
Additions	18,164
Adjustment	(26,833)
30 September 2020	153,839
Additions	<u>10,226</u>
30 September 2021	<u>164,065</u>
Amortisation -	
30 September 2019	128,977
Charge for the year	<u>6,463</u>
30 September 2020	135,440
Charge for the year	<u>9,147</u>
30 September 2021	<u>144,587</u>
Net Book Value -	
30 September 2021	<u>19,478</u>
30 September 2020	<u>18,399</u>

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.

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21. INVESTMENT PROPERTY:

	<u>The Group and Company</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
At beginning of year	203,400	-
Investment property acquired during the year	-	165,497
Fair value adjustment	6,600	37,903
	<u>210,000</u>	<u>203,400</u>

The Group's investment property was revalued 2 June 2021 by independent valuers 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:

	<u>The Group and Company</u>
	<u>\$'000</u>
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
Additions	10,689
Current amortisation	(33,303)
30 September 2021	<u>233,974</u>

BARITA INVESTMENTS LIMITED
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22. **RIGHT OF USE ASSETS (CONT'D):**

(b) Lease liability:

	<u>\$'000</u>
	<u>The Group and Company</u>
	<u>\$'000</u>
Adoption of IFRS 16	220,656
Interest expense	4,262
Lease payments	(7,838)
Adjusted opening balance	217,080
Additions	71,421
Interest expense on lease obligation	15,948
Lease payments	(22,151)
30 September 2020	282,298
Additions	10,689
Interest expense on lease obligation	20,362
Lease payments	(39,381)
Exchange effect	872
30 September 2021	<u>274,840</u>

The properties leased by the Group are the 1st, 7th and part of the 10th floor of the PanJam building located at 60 Knutsford Boulevard Kingston, St. Andrew, Lot #57 and Lot #3 Fairview Shopping Center Montego Bay, St James and Strata Lot #2 Manchester Shopping Centre, Mandeville, Manchester.

23. **INVESTMENT IN SUBSIDIARIES:**

The balance represents the company's investments in subsidiaries. The balance at year end comprises:-

	<u>The Company</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Barita Unit Trust Management Limited	85,700	85,700
Cornerstone Group Employee Share Trust	1,030,371	-
	<u>1,116,071</u>	<u>85,700</u>

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23. INVESTMENT IN SUBSIDIARIES (CONT'D):

On 28 September 2021, Barita Investments Limited established the Cornerstone Group Employee Share Trust in an effort to facilitate its Employee Share Option Plan. Shares held by the trust are treated as an investment in subsidiary within the company's financial statements. The assets and liabilities of the trust are consolidated in the Company's financial statements as if they were assets and liabilities of the Company. As at year end, the trust held no other assets other than the shares contributed by Barita Investments Limited.

24. INVESTMENT IN ASSOCIATE:

On 23 February 2021, Barita Investments Limited acquired a 20% shareholding in Derrimon Trading Company Limited amounting to a total of 906,950,275 units.

The principal activities of the company include the wholesale and bulk distribution of household and food items through the operation of a chain of outlets and supermarkets.

The results of the associate are determined by prorating the results for the audited year ended 31 December as well as the six months period covered by management accounts as at 30 June to ensure that a year's result is accounted for.

The balance represents the company's investments in associates (note 3(c)). The balance at year end comprises:-

	<u>2021</u> <u>\$'000</u>
Acquisition of shares during the year	1,996,279
Share of profit	<u>57,144</u>
	<u>2,053,423</u>

The assets, liabilities, revenue and results of associate for the 12 month period ended 30 June are summarized as follows:-

	<u>2021</u> <u>\$'000</u>
Current assets	6,208,285
Non-current assets	4,111,080
Current liabilities	(2,204,848)
Non-current liabilities	<u>(2,500,967)</u>
Revenue	<u>14,441,140</u>
Net Profit	<u>441,353</u>

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24. **INVESTMENT IN ASSOCIATES (CONT'D):**

The carrying values of investments in associates and the values indicated by prices quoted on the JSE (“JSE Indicative Value”) as at 30 September 2021 are as follows:

	Number of Shares held	Carrying Value \$'000	JSE Indicative Value \$'000
Derrimon Trading Limited	<u>906,950,275</u>	<u>2,053,423</u>	<u>2,058,777</u>
		<u>2,053,423</u>	<u>2,058,777</u>

25. **SECURED INVESTMENT NOTES:**

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Secured loan notes	<u>1,022,055</u>	<u>611,947</u>	<u>1,415,234</u>	<u>611,947</u>

The secured loan notes represent short term loan obligations at interest rates between 0.5% - 3.5% and are repayable upon maturity. The maturity date for the loans are in October and November 2021.

26. **PAYABLES:**

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Client funds	1,910,529	4,529,366	1,910,529	4,730,523
Statutory liabilities	22,591	15,188	21,879	14,491
Other	694,291	592,180	645,815	542,110
Dividend payable (note 33)	<u>3,288,292</u>	<u>1,833,580</u>	<u>3,288,292</u>	<u>1,833,580</u>
	<u>5,915,703</u>	<u>6,970,314</u>	<u>5,866,515</u>	<u>7,120,704</u>

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27. **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:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Deferred tax liabilities	<u>61,237</u>	<u>616,891</u>	<u>50,494</u>	<u>606,608</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Net liabilities at beginning of year	616,891	622,850	606,608	566,354
(Credited)/charged to profit or loss (Note 9)	(462,804)	346,574	(461,896)	368,725
Charged to other comprehensive income (Note 9)	(92,850)	(352,533)	(94,218)	(328,471)
Net liabilities at end of year	<u>61,237</u>	<u>616,891</u>	<u>50,494</u>	<u>606,608</u>

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

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

Deferred tax liabilities	The Group					
	Accelerated depreciation \$'000	Interest receivable \$'000	Exchange gain \$'000	Investment securities \$'000	Lease liability \$'000	Total \$'000
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
Charged/(credited) to profit or loss	4,864	48,625	(294,274)	73,023	(2,486)	(170,248)
Charged to other comprehensive income	-	-	-	333,549	-	333,549
30 September 2021	<u>32,063</u>	<u>220,419</u>	<u>119,635</u>	<u>1,199,917</u>	<u>91,613</u>	<u>1,663,647</u>

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27. DEFERRED TAXATION (CONT'D):

	<u>The Group</u>					
	Stock option \$'000	Accrued vacation \$'000	Investment securities \$'000	Interest payable \$'000	Right of use \$'000	Total \$'000
Deferred tax assets						
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	-	-	<u>594,394</u>	-	-	<u>594,394</u>
30 September 2020	-	-	758,414	39,512	85,529	883,455
(Credited)/charged to profit or loss	43,400	14,441	187,543	54,711	(7,538)	292,557
Charged to other comprehensive income	-	-	<u>426,398</u>	-	-	<u>426,398</u>
30 September 2021	<u>43,400</u>	<u>14,441</u>	<u>1,372,355</u>	<u>94,223</u>	<u>77,991</u>	<u>1,602,410</u>
	<u>The Company</u>					
	Accelerated depreciation \$'000	Interest receivable \$'000	Exchange gain \$'000	Investment securities \$'000	Lease liability \$'000	Total \$'000
Deferred tax liabilities						
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	-	-	-	<u>265,923</u>	-	<u>265,923</u>
30 September 2020	56,102	168,567	411,768	759,527	94,099	1,490,063
Charged/(credited) to profit or loss	5,772	48,625	(294,274)	73,023	(2,486)	(169,340)
Charged to other comprehensive income	-	-	-	<u>337,724</u>	-	<u>337,724</u>
30 September 2021	<u>61,874</u>	<u>217,192</u>	<u>117,494</u>	<u>1,170,274</u>	<u>91,613</u>	<u>1,658,447</u>

BARITA INVESTMENTS LIMITED
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27. DEFERRED TAXATION (CONT'D):

	<u>The Company</u>					
	Stock option \$'000	Accrued vacation \$'000	Investment securities \$'000	Interest payable \$'000	Right of use \$'000	Total \$'000
Deferred tax assets						
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	-	-	<u>594,394</u>	-	-	<u>594,394</u>
30 September 2020	-	-	758,414	39,512	85,529	883,455
(Credited)/charged to profit or loss	43,400	14,441	187,543	54,711	(7,538)	292,557
Charged to other comprehensive income	-	-	<u>431,941</u>	-	-	<u>431,941</u>
30 September 2021	<u>43,400</u>	<u>14,441</u>	<u>1,377,898</u>	<u>94,223</u>	<u>77,991</u>	<u>1,607,953</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u> \$'000	<u>2020</u> \$'000	<u>2021</u> \$'000	<u>2020</u> \$'000
Deferred tax liabilities	(1,663,647)	(1,500,346)	(1,658,447)	(1,490,063)
Deferred tax assets	<u>1,602,410</u>	<u>883,455</u>	<u>1,607,953</u>	<u>883,455</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Authorised:				
Ordinary shares 14,000,000,000				
Preference 1,000,000,000				
Issued and fully paid				
Ordinary stock units				
1,220,388,243 (2020 - 1,085,603,093)	33,668,224	23,147,826	33,668,224	23,147,826
Non-redeemable preference shares	1,000,000	1,000,000	1,000,000	1,000,000
Treasury shares				
16,274,458 (2020 - 24,458)	(1,532,320)	(1,272)	-	-
	<u>33,135,904</u>	<u>24,146,554</u>	<u>34,668,224</u>	<u>24,147,826</u>

Share capital and treasury shares

- (a) On 3 August 2021, the Board of Directors passed a resolution for the issue of shares through an additional public offer thereby approving the issue up to 160,000,000 ordinary shares at a price of \$80 per unit. The total shares issued under the additional public offer amounted to 134,785,150 units.
- (b) Treasury shares represents ordinary shares held by Barita Unit Trusts Management Company of 6,274,458 and Cornerstone Group Employee Trust of 10,000,000. During the year, BUTM participated in Barita Investments Limited's additional public offer, acquiring 6,250,000 ordinary shares on 21 September 2021.
- (c) 100,000,000 preference shares at 4% per annum were issued at a price of \$10.00 per share.
- (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.

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29. CAPITAL RESERVE:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of the year	111,466	111,466	173,321	176,321
Revaluation gains on property, plant and equipment	<u>10,607</u>	<u>-</u>	<u>10,607</u>	<u>-</u>
	<u>122,073</u>	<u>111,466</u>	<u>183,928</u>	<u>173,321</u>

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.

30. FAIR VALUE RESERVE:

This represents the unrealized surplus or deficit on the revaluation of investment securities at FVOCI and stock exchange seat. The investments are not impaired and the recorded deficit is based on short term fluctuations in market prices.

31. CAPITAL REDEMPTION RESERVE:

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

32. STOCK OPTION RESERVE:

(a) Stock option description and movements:

On 24 January 2020, the company obtained approval from the Board of Directors through a resolution to establish the Employee Stock Ownership Plan for all eligible employees of the Cornerstone Group comprising 6 million ordinary shares. Under the terms of the plan eligible employees will be granted the right to participate by purchasing the company's shares at a discount. Further to this, approval from the Board of Directors was granted on 28 September 2021 for the commencement of the Cornerstone Group Employee Trust by contributing 10 million shares to be held in the trust in accordance with the Trust Deed and the Plan Rules.

On 1 October 2020, under the rules of the stock option plan, the following allocations were made:

	<u>No. of shares</u>
Managers and other employees	<u>3,225,636</u>

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32. STOCK OPTION RESERVE (CONT'D):

(a) Stock option description and movements:

The options were granted at a subscription price of \$15.50 and are exercisable over a period of one year beginning upon vesting, at the end of which time unexercised options will expire. The total grant of each employee will be fully vested on the third anniversary of the grant date. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends and reclassifications or other similar corporate changes.

(b) Fair value of options granted:

The fair value of options granted determined using the Black-Scholes-Merton valuation model was \$206,150,395. The significant inputs into the model were the share price of \$83.77 at the grant date, exercise price of \$15.50, the risk free interest rate of 2.81%, share price volatility factor of 45.38%, expected dividends of \$2.216 and the option life of four (4) years. It is expected that these options will be exercised within three (3) years.

The breakdown of the fair value of options granted is as follows:

	<u>\$'000</u>
Fair value of options granted	206,150
Amount expensed during the year	<u>(130,200)</u>
Amount to be expensed in future periods	<u>75,950</u>

33. DIVIDENDS:

	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Distribution to ordinary stockholders:		
\$0.746 per stock unit	809,860	-
\$3.029 per stock unit	3,288,292	-
\$2.216 per stock unit	<u>-</u>	<u>1,828,207</u>
	4,098,152	1,828,207
Less: Dividend paid on treasury shares	<u>(-)</u>	<u>(13,572)</u>
	<u>4,098,152</u>	<u>1,814,635</u>

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34. MANAGED FUNDS:

The group acts as agent and earns fees for managing clients' and investment funds on a non-recourse basis under management agreements. This includes unit trusts, pension scheme assets and structured entities. Except where the group holds units or provides financing, it has no legal or equitable interest in the securities underlying the investment of these managed funds. Accordingly, these securities are not consolidated in the statement of financial position.

As at September 30, 2021, the group's on and off-balance sheet financial assets under management amounted to \$316,379,351,000 (2020: \$246,997,622,000). The group's financial statements include net assets of \$12,952,352,000 (2020: \$3,742,534,000) relating to the managed funds.

35. 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 and Contingency Plan (BCCP) to minimize the potential exposure to staff and clients, whilst ensuring that any disruption to the business is kept at a minimum.

As understanding of the disease and its effects has increased, the company has revised its response and its BCCP accordingly. As at 30 September 2021, work from home measures continues to be in place. In-office staff are equipped with hand sanitizers, masks and face shields (where necessary), and staff and visitors are required to comply with social distancing rules mandated by the government.

The company continues to closely monitor the impact of COVID-19 on investment markets and asset prices, taking proactive measures to protect the group's balance sheet. Under IFRS 9, businesses are expected to include the impact of forward-looking macroeconomic indicators in their Expected Credit Loss (ECL) computation, and the group has considered the impact of COVID-19 in selecting its indicators.

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, the changing severity of mutations and the associated containment 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.

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36. EVENTS AFTER THE REPORTING PERIOD:

“Barita Investments Limited (“Barita”) and Barita Unit Trusts Management Company Limited (“BUTM”) have the same ultimate shareholders as Cornerstone Trust & Merchant Bank Limited (“CTMB”), a licensed deposit-taking institution, supervised by the Bank of Jamaica (“BOJ”) under the Banking Services Act (“BSA”). It is a BOJ and BSA requirement that deposit-taking institutions be held under a Financial Holding Company together with all other regulated entities under the same ownership. In order to meet this requirement, it is expected that during the next financial year corporate restructuring will occur, the details of which remain subject to BOJ approval at this time. The operations of Barita and BUTM are expected to continue as before.”