

**Barita Investments Limited**

**Financial Statements  
30 September 2010**

# Barita Investments Limited

Index

30 September 2010

---

	<b>Page</b>
<b>Independent Auditors' Report to the Members</b>	
<b>Financial Statements</b>	
Consolidated statement of comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of changes in shareholders' equity	3-4
Consolidated statement of cash flows	5
Company statement of comprehensive income	6
Company statement of financial position	7
Company statement of changes in shareholders' equity	8-9
Company statement of cash flows	10
Notes to the financial statements	11- 66

## **Independent Auditors' Report**

To the Members of  
Barita Investments Limited

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Barita Investments Limited and its subsidiary (the group), and the accompanying financial statements of Barita Investments Limited standing alone set out on pages 1 to 66, which comprise the consolidated and company statements of financial position as of 30 September 2010 and the consolidated and company statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Barita Investments Limited  
Independent Auditors' Report  
Page 2

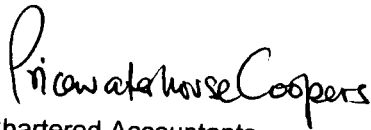
**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 30 September 2010, and of the financial performance and cash flows of the group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal and Regulatory Requirements**

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 accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.



Chartered Accountants

30 November 2010  
Kingston, Jamaica

# Barita Investments Limited

## Consolidated Statement of Comprehensive Income

Year ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>Net Interest Income and Other Revenue</b>			
Interest income		1,378,193	1,712,835
Interest expense		(1,091,698)	(1,555,970)
Net interest income		286,495	156,865
Fees and commission income		58,709	54,052
Dividend income		5,869	26,635
Foreign exchange trading and translation (losses)/ gains		(24,160)	144,150
Gain on sale of investments		139,896	50,157
Other		5,104	2,164
Net operating revenue		471,913	434,023
<b>Operating Expenses</b>			
Staff costs	7	(182,628)	(175,809)
Administration		(156,196)	(131,194)
	6	(338,824)	(307,003)
<b>Profit before Taxation</b>		133,089	127,020
Taxation	8	(36,003)	(28,395)
<b>Profit for the Year</b>		97,086	98,625
<b>Other Comprehensive Income:</b>			
Unrealised gains on available- for- sale investments, net of taxes		215,716	95,935
Gains recycled to profit or loss on disposal and maturity of available -for- sale investments		(139,896)	(50,157)
		75,820	45,778
<b>Total Comprehensive Income</b>		172,906	144,403
<b>Basic Earnings Per Share</b>			
	13	\$0.22	\$0.24
<b>Diluted Earnings Per Share</b>			
	13	\$0.22	\$0.24

# Barita Investments Limited

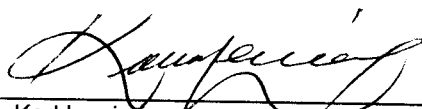
## Consolidated Statement of Financial Position

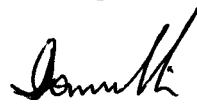
30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
Cash and bank balances	9	263,309	62,486
Securities purchased under resale agreements	10	1,880,251	3,420,663
Marketable securities	11	9,535,519	7,815,190
Receivables	12	436,737	321,374
Loans receivable		59,424	39,495
Due from related parties	14	11,853	4,382
Property, plant and equipment	15	133,482	132,251
Intangible assets	16	16,172	1,610
Investments	17	2	2
Deferred tax assets	19	-	441
<b>Total assets</b>		<u>12,336,749</u>	<u>11,797,894</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Bank overdraft	9	4,042	6,056
Securities sold under repurchase agreements		10,837,409	10,829,441
Payables	20	91,152	63,900
Due to related parties	14	767	1,842
Redeemable preference shares	21	164,100	-
Convertible preference shares	21	3,460	-
Taxation		4,526	2,174
Deferred tax liabilities	19	112,689	45,742
<b>Total liabilities</b>		<u>11,218,145</u>	<u>10,949,155</u>
<b>Shareholders' Equity</b>			
Share capital	21	765,154	667,550
Treasury shares	21	(10,145)	(9,500)
Capital reserve	22	1,103	1,103
Fair value reserve	23	26,787	(49,033)
Retained earnings		335,705	238,619
<b>Total shareholders' equity</b>		<u>1,118,604</u>	<u>848,739</u>
<b>Total liabilities and shareholders' equity</b>		<u>12,336,749</u>	<u>11,797,894</u>

Approved for issue by the Board of Directors on 30 November 2010 and signed on its behalf by:

  
Karl Lewin Director

  
Carl Domville Director

# Barita Investments Limited

## Consolidated Statement of Changes in Shareholders' Equity

Year ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Treasury Shares \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 September 2008		62,850	-	86,803	(94,811)	658,994	713,836
<b>Profit for the year</b>		-	-	-	-	98,625	98,625
<b>Other comprehensive income:</b>							
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	95,935	-	95,935
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		-	-	-	(50,157)	-	(50,157)
					45,778	-	45,778
<b>Total comprehensive income</b>		-	-	-	45,778	98,625	144,403
<b>Transactions with owners:</b>							
Issue of ordinary shares	21	85,700	-	(85,700)	-	-	-
Issue of bonus shares	21	519,000	-	-	-	(519,000)	-
Purchase of treasury shares	21	-	(9,500)	-	-	-	(9,500)
		604,700	(9,500)	(85,700)	-	(519,000)	(9,500)
<b>Balance at 30 September 2009</b>		667,550	(9,500)	1,103	(49,033)	238,619	848,739

# Barita Investments Limited

Consolidated Statement of Statement of Changes in Shareholders' Equity (Continued)  
 Year ended 30 September 2010  
 (expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Treasury Shares \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 September 2009</b>		667,550	(9,500)	1,103	(49,033)	238,619	848,739
<b>Profit for the year</b>		-	-	-	-	97,086	97,086
<b>Other comprehensive income:</b>							
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	215,716	-	240,039
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		-	-	-	(139,896)	-	(139,896)
		-	-	-	75,820	-	75,820
<b>Total comprehensive income</b>		-	-	-	75,820	97,086	172,906
<b>Transactions with owners:</b>							
Issue of ordinary shares	21	87,444	-	-	-	-	87,444
Issue of convertible preference shares	21	10,160	-	-	-	-	10,160
Purchase of treasury shares	21	-	(645)	-	-	-	(645)
		97,604	(645)	-	-	-	96,959
<b>Balance at 30 September 2010</b>		765,154	(10,145)	1,103	26,787	335,705	1,118,604



# Barita Investments Limited

## Consolidated Statement of Cash Flows

Year ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		97,086	98,625
Adjusted for:			
Depreciation and amortisation		7,939	15,022
Effect of exchange gain on foreign balances		53,733	(107,143)
Interest income		(1,378,193)	(1,712,835)
Interest expense		1,091,698	1,555,970
Taxation expense	8	36,003	28,395
Gain on the disposal of property, plant and equipment		(3,954)	(311)
		<u>(95,688)</u>	<u>(122,277)</u>
Changes in operating assets and liabilities:			
Marketable securities		(1,806,383)	(366,289)
Securities purchased under resale agreements		1,276,952	186,416
Securities sold under repurchase agreements		318,061	46,795
Receivables		(115,363)	25,892
Loans receivable		(19,929)	135,224
Payables		27,252	(17,770)
Due from related companies		(8,546)	368
		<u>(423,644)</u>	<u>(111,641)</u>
Interest received		1,724,862	1,551,950
Interest paid		(1,317,513)	(1,431,162)
Income tax paid		(2,699)	(2,463)
Cash (used in)/provided by operating activities		<u>(18,994)</u>	<u>6,684</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from the disposal of property, plant and equipment		4,635	1,670
Purchase of property, plant and equipment	15	(9,361)	(8,601)
Purchase of intangible asset		(15,052)	(1,830)
Cash used in investing activities		<u>(19,778)</u>	<u>(8,761)</u>
<b>Cash Flows from Financing Activities</b>			
Issue of redeemable preference shares	21	164,100	-
Issue of convertible preference shares	21	13,620	-
Issue of ordinary shares	21	86,799	-
Interest paid on preference shares		(19,586)	-
Cash provided by financing activities		<u>244,933</u>	<u>-</u>
Effect of exchange rate on cash and cash equivalents		(3,324)	1,886
Increase/ (decrease) in net cash and cash equivalents		202,837	(191)
Net cash and cash equivalents at beginning of year		56,430	56,621
<b>Net Cash and Cash Equivalents at End of Year</b>	9	<u>259,267</u>	<u>56,430</u>

# Barita Investments Limited

## Company Statement of Comprehensive Income

Year ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

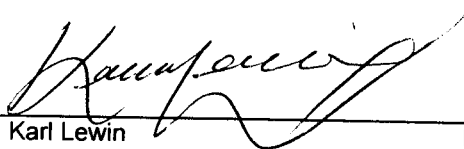
	Note	2010 \$'000	2009 \$'000
<b>Net Interest Income and Other Revenue</b>			
Interest income		1,379,015	1,709,141
Interest expense		(1,107,937)	(1,556,813)
Net interest income		271,078	152,328
Fees and commission income		27,581	21,380
Dividend income		5,869	26,635
Foreign exchange trading and translation ( losses)/ gains		(24,160)	144,150
Gain on sale of investments		139,896	50,157
Other		5,681	2,568
Net operating revenue		425,945	397,218
<b>Operating Expenses</b>			
Staff costs	7	(164,537)	(158,129)
Administration		(142,627)	(118,059)
	6	(307,164)	(276,188)
<b>Profit before Taxation</b>		118,781	121,030
Taxation	8	(32,999)	(26,466)
<b>Profit for the Year</b>		85,782	94,564
<b>Other Comprehensive Income:</b>			
Unrealised gains on available- for- sale investments net of taxes		217,495	95,512
Gains recycled to profit or loss on disposal and maturity of available -for- sale investments		(139,896)	(50,157)
		77,599	45,355
<b>Total Comprehensive Income</b>		163,381	139,919

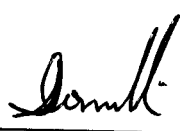
**Barita Investments Limited**  
**Company Statement of Financial Position**  
**30 September 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
Cash and bank balances	9	245,305	55,523
Securities purchased under resale agreements	10	1,880,251	3,420,289
Marketable securities	11	9,511,876	7,755,368
Receivables	12	426,481	309,127
Loans receivable		195,993	39,495
Due from related parties	14	8,576	952
Property, plant and equipment	15	130,567	128,375
Intangible assets	16	16,172	1,610
Investment	17	2	2
Investment in subsidiary		85,700	85,700
<b>Total assets</b>		<b>12,500,923</b>	<b>11,796,441</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Bank overdraft	9	4,042	6,056
Securities sold under repurchase agreements		10,891,571	10,851,978
Payables	20	85,006	52,874
Due to related parties	14	576	632
Redeemable preference shares	21	299,970	-
Convertible preference shares	21	3,460	-
Deferred tax liabilities	19	116,154	45,742
<b>Total liabilities</b>		<b>11,400,779</b>	<b>10,957,282</b>
<b>Shareholders' Equity</b>			
Share capital	21	765,154	667,550
Treasury shares	21	(9,500)	(9,500)
Capital reserve	22	62,958	62,958
Fair value reserve	23	27,998	(49,601)
Retained earnings		253,534	167,752
<b>Total shareholders' equity</b>		<b>1,100,144</b>	<b>839,159</b>
<b>Total liabilities and shareholders' equity</b>		<b>12,500,923</b>	<b>11,796,441</b>

Approved for issue by the Board of Directors on 30 November 2010 and signed on its behalf by:

  
 Karl Lewin Director

  
 Carl Domville Director

# Barita Investments Limited

## Company Statement of Changes in Shareholders' Equity

Year ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Treasury Shares \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 September 2008		62,850	-	62,958	(94,956)	592,188	623,040
<b>Profit for the year</b>		-	-	-	-	94,564	94,564
<b>Other comprehensive income:</b>							
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	95,512	-	95,512
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		-	-	-	(50,157)	-	(50,157)
		-	-	-	45,355	-	45,355
<b>Total Comprehensive income</b>		-	-	-	45,355	94,564	139,919
<b>Transactions with owners:</b>							
Issue of ordinary shares	21	85,700	-	-	-	-	85,700
Issue of bonus shares	21	519,000	-	-	-	(519,000)	-
Purchase of treasury shares	21	-	(9,500)	-	-	-	(9,500)
		604,700	(9,500)	-	-	(519,000)	76,200
<b>Balance at 30 September 2009</b>		667,550	(9,500)	62,958	(49,601)	167,752	839,159

# Barita Investments Limited

## Company Statement Changes in Shareholders' Equity (Continued)

Year ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Stated Capital \$'000	Treasury Shares \$'000	Capital Reserve \$'000	Fair value Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 30 September 2009</b>		667,550	(9,500)	62,958	(49,601)	167,752	839,159
<b>Profit for the year</b>		-	-	-	-	85,782	85,782
<b>Other comprehensive income:</b>							
Unrealised gains on available-for-sale investments, net of taxes		-	-	-	217,495	-	217,495
Gains recycled to profit or loss on disposal and maturity of available-for-sale investments		-	-	-	(139,896)	-	(139,896)
		-	-	-	77,599	-	77,599
<b>Total comprehensive income</b>		-	-	-	77,599	85,782	163,381
<b>Transactions with owners:</b>							
Issue of ordinary shares	21	87,444	-	-	-	-	87,444
Issue of convertible preference shares	21	10,160	-	-	-	-	10,160
		97,604	-	-	-	-	97,604
<b>Balance at 30 September 2010</b>		765,154	(9,500)	62,958	27,998	253,534	1,100,144

# Barita Investments Limited

## Company Statement of Cash Flows

Year ended 30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		85,782	94,564
Adjusted for:			
Depreciation and amortisation		6,960	14,027
Effect of exchange gain on foreign balances		53,733	(107,143)
Interest income		(1,379,014)	(1,709,141)
Interest expense		1,107,937	1,556,813
Income tax expense	8	32,999	26,466
Gain on the disposal of property, plant and equipment		(3,954)	(311)
		<u>(95,557)</u>	<u>(124,725)</u>
Changes in operating assets and liabilities:			
Marketable securities		(1,839,526)	(579,873)
Securities purchased under resale agreements		1,276,931	429,053
Securities sold under repurchase agreements		349,686	57,444
Receivables		(117,354)	23,115
Loans receivable		(156,498)	135,224
Payables		32,132	(26,134)
Due from related companies		(7,680)	(108)
		<u>(557,866)</u>	<u>(86,004)</u>
Interest received		1,725,050	1,548,671
Interest paid		(1,349,794)	(1,432,005)
Cash( used in)/provided by operating activities		<u>(182,610)</u>	<u>30,662</u>
<b>Cash Flows from Investing Activities</b>			
Proceeds from the disposal of property, plant and equipment		4,635	1,670
Purchase of property, plant and equipment	15	(9,343)	(7,883)
Purchase of intangible asset		(15,052)	(1,830)
Cash used in investing activities		<u>(19,760)</u>	<u>(8,043)</u>
<b>Cash Flows from Financing Activities</b>			
Issue of redeemable preference shares	21	299,970	-
Issue of convertible preference shares	21	13,620	-
Issue of redeemable preference shares	21	87,444	-
Interest paid on preference shares		(34,086)	-
Cash provided by financing activities		<u>397,490</u>	<u>-</u>
Effect of exchange rate on cash and cash equivalents		(3,324)	1,886
Increase in net cash and cash equivalents		191,796	24,505
Net cash and cash equivalents at beginning of year		49,467	24,962
<b>Net Cash and Cash Equivalents at End of Year</b>	9	<u>241,263</u>	<u>49,467</u>

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 1. Identification, Regulation and Licence

Barita Investments Limited (Barita, the company) is a limited liability company incorporated and resident in Jamaica, with its registered office at 15 St. Lucia Way, Kingston 5.

The company is a licensed securities dealer and has primary dealer status from the Bank of Jamaica (BoJ). It is licensed under the Securities Act and regulated by the Financial Services Commission (FSC).

On 1 April 2009, the company acquired 100% of the issued share capital of Barita Unit Trusts Management Company Limited (BUTM) by way of a share exchange, thus resulting in BUTM becoming a wholly owned subsidiary of Barita.

On 14 January 2010, following an Initial Public Offering of its shares, the company's ordinary and preference shares were listed on the Jamaica Stock Exchange (JSE).

The principal activities of the company and its subsidiary (collectively referred to as "the Group") are stock s and securities brokerage, money market activities, cambio operations, and funds management.

### 2. Significant Accounting Policies

#### (a) Basis of preparation

The 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 available-for-sale investment securities, and certain items of property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

#### *Interpretations and amendments to published accounting standards effective in the current financial year*

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

- **IAS 23 (Amendment), 'Borrowing costs'** (effective for annual periods beginning on or after 1 January 2009). The amendment to IAS 23 requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. The Group has applied IAS 23 (Amended) from 1 October 2009 but it is currently not applicable to the Group as there are no qualifying assets.
- **IFRS 7 (Amendment), Financial instruments – disclosures** (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group has applied IFRS 7 (Amendment) from 1 January 2009. The change in accounting policy only results in additional disclosures.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

##### *Interpretations and amendments to published accounting standards effective in the current financial year (continued)*

- **IAS 27 (Revised), Consolidated and Separate Financial Statements** (effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group has applied IAS 27 from 1 October 2009 and has determined that the application did not result in a material impact on the financial statements.
- **IFRS 3 (Revised), Business Combinations** (effective for business combinations occurring in annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method of accounting for business combinations, with some significant changes. It requires that all payments to purchase a business be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group has applied IFRS 3 (Revised) from 1 October 2009 but it is currently not applicable to the Group as there were no business combinations for the period.
- **IAS 1, Presentation of Financial Statements (Revised)** (effective for annual periods beginning on or after 1 January 2009). The main objective in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. IAS 1 will affect the presentation of owner changes in equity and of comprehensive income. It will not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS. IAS 1 will require an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income will not be permitted to be presented in the statement of changes in equity. The Group has applied IAS 1 (Revised) from 1 October 2009 and has elected to present one performance statement. Application has resulted in a change in financial statement presentation only and has no impact on the company's earnings.

##### *Standards, interpretations and amendments to published accounting standards that are not effective in the current financial year*

The Group has assessed the relevance of all new standards, interpretations and amendments and has determined that the following may be relevant to its operations and has concluded as follows:

- **IFRIC 17, 'Distribution of non-cash assets to owners'** (effective for annual periods beginning on or after 1 January 2010). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 October 2010.



# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 2. Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

##### ***Standards, interpretations and amendments to published accounting standards that are not effective in the current financial year (continued)***

- **IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement'**, (effective for annual periods beginning on or after 1 January 2010). This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety. The Group will apply IFRIC 9 from 1 October 2010.
- **IAS 1 (amendment), 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 January 2010). The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This amendment is not expected to have a material impact on the financial statements.
- **IFRS 9, 'Financial instruments'**. (effective for annual periods beginning on or after 1 January 2013). The standard addresses the principles for the financial reporting of financial assets and financial liabilities to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The standard will eventually replace IAS 39 - Financial Instruments: Recognition and Measurement.

The standard is mandatory for accounting periods beginning on or after 1 January 2013, however earlier adoption is permitted. Management is assessing the impact of adoption of the standard on the Group.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 2. Significant Accounting Policies (Continued)

#### (b) Basis of consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

#### (i) *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 purchase method of accounting is used to account for the acquisition of subsidiaries. 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 values 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 values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree's either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

#### (ii) *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 utilise 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 recognised.

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) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 2. Significant Accounting Policies (Continued)

#### (d) Foreign currency translation

##### ***Functional and presentation currency***

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Jamaican dollars, which is also the company's functional currency.

##### ***Translations and balances***

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss for the year.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the profit or loss for the year, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve through other comprehensive income.

#### (e) Financial instruments

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

##### **Financial assets**

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

##### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs and subsequently measured at amortised cost using the effective interest method. Loans and receivables on the statement of financial position include securities purchased under resale agreements, receivables, loans receivable, due from related companies and marketable securities.

Financial assets classified as loans and receivables either meet the definition of loans and receivables at the date of acquisition, or at the date of reclassification from another category (fair value through profit or loss or available-for-sale), under the provisions of IAS 39 (Amendment). Financial assets which have been reclassified to this category, meet the definition of loans and receivables as a result of the market for these securities having become inactive.

The Group has elected to reclassify all financial assets reclassified to loans and receivables, to available-for-sale, once the markets for these securities become active again.

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

## 2. Significant Accounting Policies (Continued)

### (e) Financial instruments (continued)

#### Financial assets (continued)

##### **Available-for-sale**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are initially recognised at cost, which is the cash given to originate the security, inclusive of any transaction costs, and are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in other comprehensive income. The Group has certain marketable securities classified as available for sale at year end.

Purchases and sales of investments are recognised on the settlement date – the date on which an asset is delivered to or by the Group.

Financial assets are assessed at year end for objective evidence of impairment. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount for debt instruments carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset. If in a subsequent period, the impairment loss for debt securities carried at amortised cost or fair value decreases and that decrease can be related objectively to an event occurring after the impairment, the reversal of the impairment is recorded in the profit or loss for the year.

In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value below cost is considered an indicator of impairment. Significant or prolonged are assessed based on market conditions and other indicators. If any such evidence exists for equity instruments, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in the profit or loss, is removed from equity and recognised in the profit or loss. Impairment losses recognised on the equity instruments are not reversed through the profit or loss for the year.

##### **Financial liabilities**

The Group's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

### (f) Interest income and expense

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

### (g) Fees and commission income

Fees and commission income are recognised 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 recognised on completion of the underlying transaction.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Significant Accounting Policies (Continued)

**(h) Dividend income**

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

**(i) 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 recognised in the profit or loss for the year.

When the securities are disposed of, the related accumulated unrealised gains or losses included in shareholders' equity are transferred to the profit or loss for the year.

**(j) Income taxes**

Taxation expense in the statement of comprehensive income comprises current and deferred income taxes.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible.

Deferred income tax is the tax 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. Currently enacted tax rates are used in the determination of deferred income tax.

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

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

**(k) Property, plant and equipment**

All property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market valuation based on triennial valuations by external independent valuers, less subsequent depreciation of buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment.

Depreciation is calculated on the straight-line basis at annual rates to write off the carrying value of each asset over the period of its useful life. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 2. Significant Accounting Policies (Continued)

**(k) Property, plant and equipment (continued)**

Revaluation gains on land and buildings are recorded net of tax in other comprehensive income. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Repairs and maintenance expenses are charged to profit or loss when the expenditure is incurred.

**(l) Receivables**

Receivables are carried at anticipated realisable value less provision for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings.

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

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the repurchase agreements using the effective yield method.

Securities purchased under agreements to resell and sold under agreements to repurchase are carried on the balance sheet at amortised cost.

**(n) Payables**

Payables are stated at cost.

**(o) Fiduciary activities**

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

**(p) Employee benefits**

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 contributions have been paid the Group has no further payment obligations. The Group's 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

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

## 2. Significant Accounting Policies (Continued)

### (q) Intangible assets

Separately acquired intangible assets are assessed annually for indicators of impairment and are carried at cost less any accumulated amortisation and impairment. The cost of separately acquired intangible assets comprises its purchase price, any directly attributable cost of preparing the asset for its intended use and professional fees directly attributed to acquiring the asset. Amortisation is calculated using the straight line method to allocate the cost of the assets over their estimated useful lives of three years.

### (r) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost and comprise balances which mature within 90 days of the date of acquisition, including cash, short term investments and bank overdrafts.

### (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 balances and transactions are recognised and disclosed for the following:

- (i) Enterprises and individuals owning directly or indirectly an interest in the voting power of the Group, 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 and officers and close members of the families of these individuals

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 3. 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 minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, 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 Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board, through the Treasury Department, Audit Committee and Risk Manager, manages and monitors risks, as follows:

(i) Treasury Department

This department is responsible for managing the Group's financial 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 balance sheet 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.

(ii) 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.

(iii) 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

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 3. Financial Risk Management (Continued)

#### (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's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower.

#### *Credit review process*

The Group has established a process involving regular analysis of the ability of borrowers and other counterparties to meet repayment obligations.

##### (i) Loans

In addition to assessments of earnings and cash flows, management assesses the existence of free and clear assets which are to be used as collateral in the event of default.

##### (ii) Investments 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.

#### *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 obtained are as follows:

(i) For loans receivable - charges over financial instruments such as debt securities and equities, and hypothecation.

(ii) For securities sold under repurchase agreements – cash or securities.

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

#### *Impairment*

The main considerations for the loan and investment securities impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties or infringement of the original terms of the contract. Based on the foregoing considerations, at 30 September 2010 and 2009, there was no evidence of impairment.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### Maximum exposure to credit risk

The following table shows the maximum exposure to credit risk:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and bank balances	263,309	62,486	245,305	55,523
Securities purchased under resale agreements	1,880,251	3,420,663	1,880,251	3,420,289
Marketable securities	9,381,019	7,691,199	9,359,569	7,632,403
Receivables	80,215	45,945	70,436	35,761
Loans receivable	59,424	39,495	195,993	39,495
Due from related parties	11,853	4,382	8,576	952
	<u>11,676,071</u>	<u>11,264,170</u>	<u>11,760,130</u>	<u>11,184,423</u>

##### Debt securities

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Government of Jamaica	8,919,224	7,168,036	8,908,215	7,150,357
Financial institutions	1,885,471	3,196,913	1,875,156	3,196,913
Corporate	276,804	220,799	276,804	220,799
	<u>11,081,499</u>	<u>10,585,748</u>	<u>11,060,175</u>	<u>10,568,069</u>
Accrued interest	179,771	526,114	179,645	525,334
	<u>11,261,270</u>	<u>11,111,862</u>	<u>11,239,820</u>	<u>11,093,403</u>

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 3. Financial Risk Management (Continued)

#### (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.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investment.
- (v) Monitoring balance sheet liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities.
- (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.

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

#### 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.

	The Group						Total \$'000
	2010						
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No specific maturity \$'000	
<b>Financial Liabilities</b>							
Bank overdraft	4,042	-	-	-	-	-	4,042
Securities sold under repurchase agreements	4,310,148	3,661,310	3,288,787	52,944	49,733	-	11,362,922
Payables	87,778	-	-	-	-	-	87,778
Due to related parties	767	-	-	-	-	-	767
Redeemable preference shares	-	-	20,307	238,559	-	-	258,886
Convertible preference shares	-	-	415	4,083	-	-	4,498
<b>Total financial liabilities (based on contractual maturity)</b>	<b>4,402,735</b>	<b>3,661,310</b>	<b>3,309,509</b>	<b>295,586</b>	<b>49,733</b>	<b>-</b>	<b>11,718,873</b>
<b>Total financial liabilities (based on expected maturity)</b>	<b>431,015</b>	<b>1,235,069</b>	<b>1,970,363</b>	<b>8,805,749</b>	<b>49,733</b>	<b>-</b>	<b>12,491,929</b>
<b>Total financial assets (based on expected maturity)</b>	<b>1,521,441</b>	<b>917,816</b>	<b>1,198,171</b>	<b>8,828,012</b>	<b>4,886,310</b>	<b>164,815</b>	<b>17,516,565</b>

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

	The Group						
	2009						
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No specific maturity \$'000	Total \$'000
<b>Financial Liabilities</b>							
Bank overdraft	6,056	-	-	-	-	-	6,056
Securities sold under repurchase agreements	4,424,994	3,820,419	2,759,755	4,888	-	-	11,010,056
Payables	55,425	-	-	-	-	-	55,425
Due to related parties	-	-	1,842	-	-	-	1,842
<b>Total financial liabilities (based on contractual maturity)</b>	<b>4,486,475</b>	<b>3,820,419</b>	<b>2,761,597</b>	<b>4,888</b>	<b>-</b>	<b>-</b>	<b>11,073,379</b>
<b>Total financial liabilities (based on expected maturity)</b>	<b>477,977</b>	<b>1,274,133</b>	<b>1,988,959</b>	<b>8,430,461</b>	<b>-</b>	<b>-</b>	<b>12,171,530</b>
<b>Total financial assets (based on expected maturity)</b>	<b>848,331</b>	<b>1,290,419</b>	<b>3,528,391</b>	<b>4,513,136</b>	<b>6,188,422</b>	<b>164,702</b>	<b>16,533,401</b>

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

	The Company						Total \$'000
	2010						
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No specific maturity \$'000	
<b>Financial Liabilities</b>							
Bank overdraft	4,042	-	-	-	-	-	4,042
Securities sold under repurchase agreements	4,310,148	3,661,310	3,288,787	52,944	49,733	-	11,362,922
Payables	81,632	-	-	-	-	-	81,632
Due to related parties	576	-	-	-	-	-	576
Redeemable preference shares	-	-	35,997	353,965	-	-	389,962
Convertible preference shares	-	-	416	4,083	-	-	4,498
<b>Total financial liabilities (based on contractual maturity)</b>	<b>4,396,398</b>	<b>3,661,310</b>	<b>3,325,199</b>	<b>410,992</b>	<b>49,733</b>	<b>-</b>	<b>11,843,632</b>
<b>Total financial liabilities (based on expected maturity)</b>	<b>520,063</b>	<b>1,235,069</b>	<b>2,006,775</b>	<b>9,163,797</b>	<b>49,733</b>	<b>-</b>	<b>12,975,437</b>
<b>Total financial assets (based on expected maturity)</b>	<b>1,521,441</b>	<b>717,816</b>	<b>724,449</b>	<b>7,137,202</b>	<b>8,719,452</b>	<b>152,307</b>	<b>18,972,667</b>

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

	The Company						Total \$'000
	2009						
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No specific maturity \$'000	
<b>Financial Liabilities</b>							
Bank overdraft	6,056	-	-	-	-	-	6,056
Securities sold under repurchase agreements	4,424,994	3,820,419	2,782,292	4,888	-	-	11,032,593
Payables	49,736	-	-	-	-	-	49,736
Due to related parties	-	-	632	-	-	-	632
<b>Total financial liabilities (based on contractual maturity)</b>	<b>4,480,786</b>	<b>3,820,419</b>	<b>2,782,924</b>	<b>4,888</b>	<b>-</b>	<b>-</b>	<b>11,089,017</b>
<b>Total financial liabilities (based on expected maturity)</b>	<b>477,977</b>	<b>1,274,133</b>	<b>1,976,723</b>	<b>8,430,461</b>	<b>-</b>	<b>-</b>	<b>12,159,294</b>
<b>Total financial assets (based expected maturity)</b>	<b>848,331</b>	<b>1,290,419</b>	<b>3,445,555</b>	<b>4,513,136</b>	<b>6,188,422</b>	<b>122,965</b>	<b>16,408,828</b>

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.

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Risk Manager in conjunction with the Treasury Manager, who carries out extensive research and monitors the price movement of financial assets on the 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 the 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 Euro, United States dollar, British pound and Canadian dollar. 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.

	The Group				
	Euro J\$'000	US\$ J\$'000	GBP J\$'000	Jamaican\$ J\$'000	Total J\$'000
	2010				
<b>Financial Assets</b>					
Cash and bank balances	28	195,637	809	66,835	263,309
Securities purchased under resale agreements	-	92,635	53,711	1,733,905	1,880,251
Marketable securities	251,808	3,040,146	-	6,243,565	9,535,519
Receivables	-	-	-	80,215	80,215
Loans receivable	-	-	-	59,424	59,424
Due from related parties	-	-	-	11,853	11,853
<b>Total financial assets</b>	<b>251,836</b>	<b>3,328,418</b>	<b>54,520</b>	<b>8,195,797</b>	<b>11,830,571</b>
<b>Financial Liabilities</b>					
Bank overdraft	-	-	-	4,042	4,042
Securities sold under repurchase agreements	-	2,758,665	140,039	7,938,705	10,837,409
Payables	-	-	-	87,778	87,778
Due to related parties	-	-	-	767	767
Redeemable preference shares	-	-	-	164,100	164,100
Convertible preference shares	-	-	-	3,460	3,460
<b>Total financial liabilities</b>	<b>-</b>	<b>2,758,665</b>	<b>140,039</b>	<b>8,198,852</b>	<b>11,097,556</b>
<b>Net financial position</b>	<b>251,836</b>	<b>569,753</b>	<b>(85,519)</b>	<b>3,055</b>	<b>733,015</b>



# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (i) Currency risk (continued)

	The Group				
	Euro J\$'000	US\$ J\$'000	GBP J\$'000	Jamaican\$ J\$'000	Total J\$'000
	<b>2009</b>				
<b>Financial Assets</b>					
Cash and bank balances	-	4,709	922	56,855	62,486
Securities purchased under resale agreements	-	134,592	47,381	3,238,690	3,420,663
Marketable securities	187,534	3,030,559	-	4,597,097	7,815,190
Receivables	-	-	-	45,945	45,945
Loans receivable	-	-	-	39,495	39,495
Due from related parties	-	-	-	4,382	4,382
<b>Total financial assets</b>	<b>187,534</b>	<b>3,169,860</b>	<b>48,303</b>	<b>7,982,464</b>	<b>11,388,161</b>
<b>Financial Liabilities</b>					
Bank overdraft	-	2,237	-	3,819	6,056
Securities sold under repurchase agreements	-	2,556,482	532,722	7,740,237	10,829,441
Payables	-	-	-	55,425	55,425
Due to related parties	-	-	-	1,842	1,842
<b>Total financial liabilities</b>	<b>-</b>	<b>2,558,719</b>	<b>532,722</b>	<b>7,801,323</b>	<b>10,892,764</b>
<b>Net financial position</b>	<b>187,534</b>	<b>611,141</b>	<b>(484,419)</b>	<b>181,141</b>	<b>495,397</b>

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

- (c) **Market risk (continued)**  
 (i) **Currency risk (continued)**

	The Company				
	Euro J\$'000	US\$ J\$'000	GBP J\$'000	Jamaican\$ J\$'000	Total J\$'000
	<b>2010</b>				
<b>Financial Assets</b>					
Cash and bank balances	28	195,637	809	48,831	245,305
Securities purchased under resale agreements	-	92,635	53,711	1,733,905	1,880,251
Marketable securities	251,808	3,040,146	-	6,219,922	9,511,876
Receivables	-	-	-	70,436	70,436
Loans receivable	-	-	-	195,993	195,993
Due from related parties	-	-	-	8,576	8,576
<b>Total financial assets</b>	<b>251,836</b>	<b>3,328,418</b>	<b>54,520</b>	<b>8,277,663</b>	<b>11,912,437</b>
<b>Financial Liabilities</b>					
Bank overdraft	-	-	-	4,042	4,042
Securities sold under repurchase agreements	-	2,758,665	140,039	7,992,867	10,891,571
Payables	-	-	-	81,632	81,632
Due to related parties	-	-	-	576	576
Redeemable preference shares	-	-	-	299,970	299,970
Convertible preference shares	-	-	-	3,460	3,460
<b>Total financial liabilities</b>	<b>-</b>	<b>2,758,665</b>	<b>140,039</b>	<b>8,382,547</b>	<b>11,281,251</b>
<b>Net financial position</b>	<b>251,836</b>	<b>569,753</b>	<b>(85,519)</b>	<b>(104,884)</b>	<b>631,186</b>

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (i) Currency risk (continued)

	The Company				
	Euro J\$'000	US\$ J\$'000	GBP J\$'000	Jamaican\$ J\$'000	Total J\$'000
	<b>2009</b>				
<b>Financial Assets</b>					
Cash and bank balances	-	4,709	922	49,892	55,523
Securities purchased under resale agreements	-	134,592	47,381	3,238,316	3,420,289
Marketable securities	187,534	3,030,559	-	4,537,275	7,755,368
Receivables	-	-	-	35,761	35,761
Loans receivable	-	-	-	39,495	39,495
Due from related parties	-	-	-	952	952
<b>Total financial assets</b>	<b>187,534</b>	<b>3,169,860</b>	<b>48,303</b>	<b>7,901,691</b>	<b>11,307,388</b>
<b>Financial Liabilities</b>					
Bank overdraft	-	2,237	-	3,819	6,056
Securities sold under repurchase agreements	-	2,556,482	532,722	7,762,774	10,851,978
Payables	-	-	-	49,736	49,736
Due to related parties	-	-	-	632	632
<b>Total financial liabilities</b>	<b>-</b>	<b>2,558,719</b>	<b>532,722</b>	<b>7,816,961</b>	<b>10,908,402</b>
<b>Net financial position</b>	<b>187,534</b>	<b>611,141</b>	<b>(484,419)</b>	<b>84,730</b>	<b>398,986</b>

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (i) Currency risk (continued)

##### Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rate below represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% devaluation and a 5% revaluation in the value of the Jamaican dollar (JMD) (2009 - 4% devaluation and 10% revaluation). The sensitivity analysis includes cash and bank balances, securities purchased under resale agreements, marketable securities and securities sold under repurchase agreements.

#### The Group and Company

	% Change in Currency Rate	Effect on Net Profit	Effect on other components of Equity	% Change in Currency Rate	Effect on Net Profit	Effect on other component of Equity
	2010	2010 \$'000	2010 \$'000	2009	2009 \$'000	2009 \$'000
<b>Currency:</b>						
EURO (devaluation of JMD)	5	8,394	-	4	5,001	-
EURO (revaluation of JMD)	5	(8,394)	-	10	(12,502)	-
USD (devaluation of JMD)	5	18,992	-	4	16,297	-
USD (revaluation of JMD)	5	(18,992)	-	10	(40,743)	-
GBP (devaluation of JMD)	5	(2,850)	-	4	(12,918)	-
GBP (revaluation of JMD)	-5	2,850	-	10	32,295	-

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

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

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

The Group's interest rate risk 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 repricing that may be undertaken, which is monitored daily by the Finance department.

The following tables summarise the Group's and company's exposure to interest rate risk. It includes financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						Total \$'000
	Immediately rate sensitive \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- rate sensitive \$'000	
<b>Financial Assets</b>							
Cash and bank balances	263,309	-	-	-	-	-	263,309
Securities purchased under resale agreements	161,986	1,293,223	425,042	-	-	-	1,880,251
Marketable securities	1,416,820	415,090	-	4,131,273	3,407,521	164,815	9,535,519
Receivables	-	-	-	-	-	80,215	80,215
Loans receivable	59,159	-	265	-	-	-	59,424
Due from related parties	-	-	-	-	-	11,853	11,853
<b>Total financial assets</b>	<b>1,901,274</b>	<b>1,708,313</b>	<b>425,307</b>	<b>4,131,273</b>	<b>3,407,521</b>	<b>256,883</b>	<b>11,830,571</b>
<b>Financial Liabilities</b>							
Bank overdraft	4,042	-	-	-	-	-	4,042
Securities sold under repurchase agreements	4,199,278	3,400,103	3,135,492	-	102,536	-	10,837,409
Payables	-	-	-	-	-	87,778	87,778
Due to related parties	767	-	-	-	-	-	767
Redeemable preference shares	-	-	-	164,100	-	-	164,100
Convertible preference shares	-	-	-	3,460	-	-	3,460
<b>Total financial liabilities</b>	<b>4,204,087</b>	<b>3,400,103</b>	<b>3,135,492</b>	<b>167,560</b>	<b>102,536</b>	<b>87,778</b>	<b>11,097,556</b>
<b>Total interest repricing gap</b>	<b>(2,302,813)</b>	<b>(1,691,790)</b>	<b>(2,710,185)</b>	<b>3,963,713</b>	<b>3,304,985</b>	<b>169,105</b>	<b>733,015</b>
<b>Cumulative gap</b>	<b>(2,302,813)</b>	<b>(3,994,603)</b>	<b>(6,704,788)</b>	<b>(2,741,075)</b>	<b>563,910</b>	<b>733,015</b>	

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

	The Group						Total \$'000
	2009						
	Immediately rate sensitive \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- rate sensitive \$'000	
<b>Financial Assets</b>							
Cash and bank balances	62,486	-	-	-	-	-	62,486
Securities purchased under resale agreements	944,865	959,740	1,516,058	-	-	-	3,420,663
Marketable securities	581,866	1,553,508	1,051,680	1,775,475	2,687,961	164,702	7,815,190
Receivables	-	-	-	-	-	45,945	45,945
Loans receivable	39,233	-	262	-	-	-	39,495
Due from related parties	-	-	-	-	-	4,382	4,382
<b>Total financial assets</b>	<b>1,628,450</b>	<b>2,513,246</b>	<b>2,568,000</b>	<b>1,775,475</b>	<b>2,687,961</b>	<b>215,029</b>	<b>11,388,161</b>
<b>Financial Liabilities</b>							
Bank overdraft	6,056	-	-	-	-	-	6,056
Securities sold under repurchase agreements	4,700,684	3,467,066	2,532,021	23,795	105,875	-	10,829,441
Payables	-	-	-	-	-	55,425	55,425
Due to related parties	-	-	-	-	-	1,842	1,842
<b>Total financial liabilities</b>	<b>4,706,740</b>	<b>3,467,066</b>	<b>2,532,021</b>	<b>23,795</b>	<b>105,875</b>	<b>57,267</b>	<b>10,892,764</b>
<b>Total interest repricing gap</b>	<b>(3,078,290)</b>	<b>(953,820)</b>	<b>35,979</b>	<b>1,751,680</b>	<b>2,582,086</b>	<b>157,762</b>	<b>495,397</b>
<b>Cumulative gap</b>	<b>(3,078,290)</b>	<b>(4,032,110)</b>	<b>(3,996,131)</b>	<b>(2,244,451)</b>	<b>337,635</b>	<b>495,397</b>	

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

	The Company						Total \$'000
	2010						
	Immediately rate sensitive \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- rate sensitive \$'000	
<b>Financial Assets</b>							
Cash and bank balances	245,305	-	-	-	-	-	245,305
Securities purchased under resale agreements	161,988	1,293,223	208,791	216,251	-	-	1,880,251
Marketable securities	1,405,602	414,964	-	4,127,473	3,411,530	152,307	9,511,876
Receivables	-	-	-	-	-	70,436	70,436
Loans receivable Due from related parties	61,071	134,922	-	-	-	-	195,993
	-	-	-	-	-	8,576	8,576
<b>Total financial assets</b>	<b>1,873,964</b>	<b>1,843,109</b>	<b>208,791</b>	<b>4,343,724</b>	<b>3,411,530</b>	<b>231,319</b>	<b>11,912,437</b>
<b>Financial Liabilities</b>							
Bank overdraft	4,042	-	-	-	-	-	4,042
Securities sold under repurchase agreements	4,253,441	3,400,103	3,135,492	-	102,536	-	10,891,571
Payables	-	-	-	-	-	81,632	81,632
Due to related parties	-	-	-	-	-	576	576
Redeemable preference shares	-	-	-	299,970	-	-	299,970
Convertible preference shares	-	-	-	3,460	-	-	3,460
<b>Total financial liabilities</b>	<b>4,257,483</b>	<b>3,400,103</b>	<b>3,135,491</b>	<b>303,430</b>	<b>102,536</b>	<b>82,208</b>	<b>11,281,251</b>
<b>Total interest repricing gap</b>	<b>(2,283,519)</b>	<b>(1,556,994)</b>	<b>(2,926,700)</b>	<b>4,040,294</b>	<b>3,308,995</b>	<b>149,111</b>	<b>631,186</b>
<b>Cumulative gap</b>	<b>(2,283,519)</b>	<b>(3,940,513)</b>	<b>(6,867,213)</b>	<b>(2,826,919)</b>	<b>482,075</b>	<b>631,186</b>	

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

	The Company						Total \$'000
	2009						
	Immediately rate sensitive \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- rate sensitive \$'000	
<b>Financial Assets</b>							
Cash and bank balances	55,523	-	-	-	-	-	55,523
Securities purchased under resale agreements	944,865	946,415	1,529,009	-	-	-	3,420,289
Marketable securities	581,862	1,543,884	1,047,221	1,771,475	2,687,981	122,965	7,755,368
Receivables	-	-	-	-	-	35,761	35,761
Loans receivable Due from related parties	39,233	-	262	-	-	-	39,495
	-	-	-	-	-	952	952
<b>Total financial assets</b>	<b>1,621,483</b>	<b>2,490,299</b>	<b>2,576,492</b>	<b>1,771,475</b>	<b>2,687,981</b>	<b>159,678</b>	<b>11,307,388</b>
<b>Financial Liabilities</b>							
Bank overdraft	6,056	-	-	-	-	-	6,056
Securities sold under repurchase agreements	4,700,684	3,467,066	2,554,558	23,795	105,875	-	10,851,978
Payables	-	-	-	-	-	49,736	49,736
Due to related parties	-	-	-	-	-	632	632
<b>Total financial liabilities</b>	<b>4,706,740</b>	<b>3,467,066</b>	<b>2,554,558</b>	<b>23,795</b>	<b>105,875</b>	<b>50,368</b>	<b>10,908,402</b>
<b>Total interest reprcing gap</b>	<b>(3,085,257)</b>	<b>(976,767)</b>	<b>21,934</b>	<b>1,747,680</b>	<b>2,582,086</b>	<b>109,310</b>	<b>398,986</b>
<b>Cumulative gap</b>	<b>(3,085,257)</b>	<b>(4,062,024)</b>	<b>(4,040,090)</b>	<b>(2,292,410)</b>	<b>289,676</b>	<b>398,986</b>	



# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

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

	The Group and Company					
	2010					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%	%
Marketable securities denominated in Ja\$	-	8.00	9.01	11.79	12.51	11.26
Marketable securities denominated in US\$	-	-	-	7.84	9.45	8.92
Marketable securities denominated in EURO	-	-	-	-	10.60	10.60
Securities purchased under resale agreements-denominated in Ja\$	7.00	8.39	-	-	-	7.70
Securities purchased under resale agreements-denominated in US\$	4.09	-	-	-	-	4.09
Securities purchased under resale agreements-denominated in GBP	3.32	2.50	2.99	-	-	3.17
Bank overdraft	22.25	-	-	-	-	22.25
Securities sold under repurchase agreements- denominated in Ja\$	7.73	7.67	6.51	-	-	7.36
Securities sold under repurchase agreements- denominated in US\$	4.02	4.10	4.55	-	-	4.20
Securities sold under repurchase agreements- denominated in GBP	3.27	3.16	2.80	-	-	3.18
Redeemable preference shares	-	-	-	16.5	-	16.5
Convertible preference shares	-	-	-	12.5	-	12.5

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

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

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

	The Group and Company					
	2009					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%	%
Marketable securities denominated in Ja\$	21.08	15.88	20.83	18.52	19.39	19.29
Marketable securities denominated in US\$	-	10.13	8.66	7.83	9.37	8.75
Marketable securities denominated in EURO	-	-	-	10.58	-	10.58
Securities purchased under resale agreements-denominated in Ja\$	15.01	21.64	21.41	-	-	20.23
Securities purchased under resale agreements-denominated in US\$	6.25	-	6.35	-	-	6.35
Securities purchased under resale agreements-denominated in GBP	3.88	4.90	5.19	-	-	5.01
Bank overdraft	22.25	-	-	-	-	22.25
Securities sold under repurchase agreements- denominated in Ja\$	15.42	17.61	18.30	17.31	13.25	16.85
Securities sold under repurchase agreements- denominated in US\$	5.42	5.72	6.32	5.38	9.75	5.76
Securities sold under repurchase agreements- denominated in GBP	3.66	3.91	4.76	-	-	4.35

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

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

##### *Interest rate sensitivity*

The following table indicates the sensitivity to a reasonably possible change in interest rates, 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 net profit based on the floating rate non-trading financial assets and financial liabilities. The sensitivity of shareholders' equity is calculated by revaluing fixed rate available-for-sale 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 net profit and equity below is the total of the individual sensitivities done for each of the assets and liabilities.

	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2010	2010	2009	2009
	\$'000	\$'000	\$'000	\$'000
	<b>The Group</b>			
<b>Change in basis points:</b>				
-200 (2009 : -200)	(21,929)	5,122	(106,826)	26,843
+200 (2009 : +200)	21,929	(5,750)	108,826	(174,646)
	<b>The Company</b>			
<b>Change in basis points:</b>				
-200 (2009: -200)	(21,872)	4,358	(105,626)	26,797
+200 (2009: +200)	21,872	(4,986)	105,626	(175,174)

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (iii) Price risk

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

The table below summarises the impact of increases/decreases on the Fund's net assets available for benefits. The analysis is based on the assumption that the equity and unit trust prices had increased/decreased by 10% (2009 – 15%).

	Effect on Net Profits	Effect on Equity	Effect on Net Profits	Effect on Equity
	2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000
<b>The Group</b>				
<b>Change in index:</b>				
+ 10% (2009: + 15%)	-	10,987	-	16,470
- 10% (2009: – 15%)	-	(10,987)	-	(16,470)
<b>The Company</b>				
<b>Change in index:</b>				
+ 10% (2009: + 15%)	-	(15,230)	-	18,445
- 10% (2009: – 15%)	-	15,320	-	(18,445)

### (d) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- (i) To comply with the capital requirements set by the regulators of the banking markets where the Group operates.
- (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 regularly 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.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (d) Capital management (continued)

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

The FSC requires each bank or banking group to:

- (i) Hold the minimum level of the regulatory capital.
- (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 unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of five risk 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.

The tables below summarise the composition of regulatory capital and the ratios of the company and BUTM for the years ended 30 September. During those two years, the Group complied with all of the externally imposed capital requirements to which they are subject.

<b>Barita</b>	<b>2010</b>		<b>2009</b>	
	<b>Actual</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>
Regulatory Capital/Risk-weighted assets	46%	>10%	54%	>10%
Tier 1 Capital/Capital base	93%	>50%	95%	>50%

<b>BUTM</b>	<b>2010</b>		<b>2009</b>	
	<b>Actual</b>	<b>Required</b>	<b>Actual</b>	<b>Required</b>
Regulatory Capital/Risk-weighted assets	53%	>10%	142%	>10%
Tier 1 Capital/Capital base	100%	>50%	100%	>50%

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management

### (e) Fair values of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at year end. The quoted market price used for financial assets held by the Group is the current bid price.

The financial instruments 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, as follows:

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- (iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

The following table presents the Group's and company's assets that are measured at fair value (Note 11). There are no liabilities that are measured at fair value at the year end, and the Group had no instruments classified in Level 3 during the year.

	<b>The Group</b>		
	<b>2010</b>		
<b>At 30 September 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total balance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Available-for-sale financial assets -			
Equity securities	164,815	-	164,815
Debt securities	-	7,101,059	7,101,059
	<u>164,815</u>	<u>7,101,059</u>	<u>7,265,874</u>
	<b>2009</b>		
<b>At 30 September 2009</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total balance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Available-for-sale financial assets -			
Equity securities	164,702	-	164,702
Debt securities	-	5,343,494	5,343,494
	<u>164,702</u>	<u>5,343,494</u>	<u>5,508,196</u>

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (e) Fair values of financial instruments (continued)

	The Company		
	2010		
	Level 1 \$'000	Level 2 \$'000	Total balance \$000
<b>At 30 September 2010</b>			
Available-for-sale financial assets -			
Equity securities	152,307	-	152,307
Debt securities	-	7,089,924	7,089,924
	<u>152,307</u>	<u>7,089,924</u>	<u>7,242,231</u>
	2009		
	Level 1 \$'000	Level 2 \$'000	Total balance \$000
<b>At 30 September 2009</b>			
Available-for-sale financial assets -			
Equity securities	122,965	-	122,965
Debt securities	-	5,325,409	5,325,409
	<u>122,965</u>	<u>5,325,409</u>	<u>5,448,374</u>

The fair value of financial instruments that are traded in an active market is determined by reference to quoted market prices when available or 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 available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted prices are not available, then fair values estimated on the basis of pricing models or other recognized valuation techniques.
- (ii) The fair value of liquid assets and other assets maturing within three months is assumed to approximate their carrying amount. This 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 assumed to approximate to their carrying amounts, due to the short term maturity on these instruments. The fair value of redeemable and convertible preference shares (classified as debt) was determined using the quoted price at 30 September to be \$221,480,000 for the Group and \$393,582,000 for the company.
- (v) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

---

### 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

#### (a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has not made any judgements that would cause a significant impact on the amounts recognised in the financial statements.

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

The Group makes estimates and assumptions concerning 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 of assets and liabilities within the next financial year are discussed below:

##### 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 recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.



# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 5. 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 organised and managed in business segments based on its business activities which are all located in Jamaica. The designated segments are as follows:

- Fixed income – this includes money market activities and securities broking
- Funds management – this includes the administration of two unit trust funds
- Other operations – this includes the operation of foreign exchange cambio, stock broking and any other income.

The Board of Directors assesses the performance of the operating segments based on a measure of adjusted profit before tax. The segment information provided to the Board of Directors for the reportable segments for the year ended 30 September 2010 is as follows:

	<b>The Group</b>			
	<b>30 September 2010</b>			
	<b>Fixed Income \$'000</b>	<b>Funds Management \$'000</b>	<b>Other \$'000</b>	<b>Group \$'000</b>
Total segment revenue	1,511,686	64,661	21,619	1,597,966
Inter-segment revenue	(16,820)	(17,535)	-	(34,355)
Total gross external revenue	1,494,866	47,126	21,619	1,563,611
Total expenses	(1,107,937)	(50,353)	-	(1,162,967)
Inter-segment expense	16,820	17,535	-	34,355
	(1,090,540)	(32,818)	-	1,123,358
Segment results	404,326	(3,227)	21,619	440,253
Unallocated expenses				(307,164)
Profit before tax				133,089
Taxation				(36,003)
Net profit				97,086
Segment assets	11,588,120	285,385	-	11,873,505
Inter-segment assets	(190,731)	(173,128)	-	(363,859)
Net segment assets	11,397,389	112,257	-	11,509,646
Unallocated assets				827,103
Total assets				12,336,749
Segment liabilities	11,195,001	156,257	-	11,351,258
Inter-segment liabilities	(227,215)	(135,999)	-	(363,214)
Net segment liabilities	10,967,786	20,258	-	10,988,044
Unallocated liabilities				230,101
Total liabilities				11,218,145

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 5. Segment Reporting (Continued)

	<b>The Group</b>			
	<b>30 September 2010</b>			
	<b>Fixed Income \$'000</b>	<b>Funds Management \$'000</b>	<b>Other \$'000</b>	<b>Group \$'000</b>
Total segment revenue	1,739,420	38,483	214,611	1,992,514
Inter-segment revenue	-	(2,117)	-	(2,117)
Total gross external revenue	1,739,420	36,366	214,611	1,990,397
Total expenses	(1,556,813)	(32,493)	-	(1,589,306)
Inter-segment expense	2,117	-	-	2,117
	(1,554,696)	(32,493)	-	1,587,189
Segment results	184,724	(3,873)	214,611	403,208
Unallocated expenses				(276,188)
Profit before tax				127,020
Taxation				(28,395)
Net profit				98,625
Segment assets	11,215,152	109,819	-	11,324,971
Inter-segment assets	-	(22,537)		(22,537)
Net segment assets	11,215,152	87,282		11,302,434
Unallocated assets				105,175
Total assets				11,797,894
Segment liabilities	10,851,978	14,539	-	10,866,517
Inter-segment liabilities	(22,537)	-	-	(22,537)
Net segment liabilities	10,829,441	14,539	-	10,843,980
Unallocated liabilities				105,175
Total liabilities				10,949,155

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

	<b>The Group</b>	
	<b>2010 \$'000</b>	<b>2009 \$'000</b>
Profit from reportable segments	440,253	403,208
Unallocated costs -		
Operating expenses	(338,824)	(276,188)
	133,089	127,020

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 5. Segment Reporting (Continued)

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

	<u>The Group</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Segment assets from reportable segments	11,509,646	11,160,746
Unallocated assets -		
Cash and bank balances	245,305	55,523
Receivables	426,481	309,127
Due from related parties	8,576	823
Property, plant and equipment	130,567	128,375
Intangible assets	16,172	1,610
Investments	2	2
	<u>12,336,749</u>	<u>11,797,894</u>

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

	<u>The Group</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Segment liabilities from reportable segments	10,988,044	10,843,980
Unallocated liabilities -		
Bank overdraft	4,042	6,056
Payables	85,006	52,874
Due to related parties	576	503
Deferred tax liabilities	116,154	45,742
	<u>11,193,822</u>	<u>10,949,155</u>

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 6. Expense by Nature

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Advertising and promotion	37,892	27,111	35,628	22,763
Auditors' remuneration -				
Current	6,492	5,733	5,150	4,500
Prior	532	(100)	432	-
Bank charges and interest	9,516	4,612	9,516	4,612
Depreciation and amortisation	7,939	15,022	6,960	14,027
Directors' fees	700	550	700	500
Insurance	7,418	5,035	7,418	5,035
Fund expenses	1,276	1,274	-	-
Office expenses	8,894	7,697	8,199	6,465
Professional fees	8,545	6,140	8,545	6,140
Registration and license fees	6,754	3,423	6,754	3,423
Rent	975	1,080	975	1,484
Repairs and maintenance	3,524	4,535	3,406	4,419
Security costs	4,873	4,593	4,873	4,593
Software maintenance	4,094	3,327	4,094	3,327
Staff costs (Note 7)	182,628	175,809	164,537	158,129
Utilities	17,726	13,271	16,106	11,958
Other expenses	29,046	27,891	23,871	24,813
	<u>338,824</u>	<u>307,003</u>	<u>307,164</u>	<u>276,188</u>

### 7. Staff Costs

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Wages and salaries	131,546	136,767	115,573	124,613
Commissions	19,924	13,113	19,924	13,113
Statutory contributions	12,817	10,611	11,803	9,430
Pension costs	8,248	5,198	7,673	4,792
Other staff benefits	10,093	10,120	9,564	6,181
	<u>182,628</u>	<u>175,809</u>	<u>164,537</u>	<u>158,129</u>

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Taxation Expense

- (a) Income tax is computed on the profit for the year, as adjusted for taxation purposes, and comprises income tax at 33 ⅓%:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current year tax charge	5,051	2,100	-	-
Adjustment for prior year	-	340	-	-
Deferred income tax (Note 19)	30,952	25,955	32,999	26,466
	<u>36,003</u>	<u>28,395</u>	<u>32,999</u>	<u>26,466</u>

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

The Group's taxation expense differs from the theoretical amount that would arise from the profit before tax using the applicable tax rate of the Group as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit before taxation	<u>133,089</u>	<u>127,020</u>	<u>118,781</u>	<u>121,030</u>
Tax calculated at 33 ⅓%	44,363	42,340	39,594	40,343
Adjusted for the effects of:				
Income not subject to tax	(18,182)	(15,956)	(15,767)	(15,938)
Adjustment for prior year	-	340	-	-
Expenses not allowable for tax purposes	4,142	1,719	3,933	1,637
Other charges and allowances	5,680	(48)	5,239	424
Income tax expense	<u>36,003</u>	<u>28,395</u>	<u>32,999</u>	<u>26,466</u>

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 8. Taxation expense (Continued)

(c) The tax charge relating to components of other comprehensive income is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value gains on available-for-sale investments -				
Before tax	112,256	77,950	115,012	77,353
Tax charge	(36,436)	(32,172)	(37,413)	(31,998)
After tax	<u>75,820</u>	<u>45,778</u>	<u>77,599</u>	<u>45,355</u>

## 9. Cash and Cash Equivalents

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash in hand	114	104	114	104
Cash at bank	263,195	62,382	245,191	55,419
	263,309	62,486	245,305	55,523
Bank overdrafts	(4,042)	(6,056)	(4,042)	(6,056)
	<u>259,267</u>	<u>56,430</u>	<u>241,263</u>	<u>49,467</u>

Cash at bank comprises mainly amounts held in current accounts, which attract interest at 1% – 3%.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Cash and Cash Equivalents (Continued)

The Group's overdraft facilities of \$25,000,000 with FirstCaribbean International Bank Limited are secured by Government of Jamaica Local Registered Stock totaling \$35,000,000 (2009 - \$35,000,000). The weighted average effective interest rate on the overdraft facilities is 22.25% (2009 - 22.25%).

### 10. Securities Purchased under Resale Agreements

The Group 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. Included in securities purchased under resale agreements is accrued interest for the Group and company of \$5,095,000 and \$5,074,000, respectively (2009 - \$264,461,000 and \$264,086,000).

### 11. Marketable Securities

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Available-for-sale -				
Quoted equities	154,500	123,991	152,307	122,965
Government of Jamaica (GOJ) bonds	6,708,085	4,921,955	6,697,076	4,904,276
Corporate bonds	276,804	220,799	276,804	220,799
Unit Trust Funds	10,315	40,711	-	-
	<u>7,149,704</u>	<u>5,307,456</u>	<u>7,126,187</u>	<u>5,248,040</u>
Accrued interest	116,170	200,740	116,044	200,334
	<u>7,265,874</u>	<u>5,508,196</u>	<u>7,242,231</u>	<u>5,448,374</u>
Loans and receivables -				
GOJ Global Bonds	2,211,139	2,246,081	2,211,139	2,246,081
Accrued interest	58,506	60,913	58,506	60,913
	<u>2,269,645</u>	<u>2,306,994</u>	<u>2,269,645</u>	<u>2,306,994</u>
	<u>9,535,519</u>	<u>7,815,190</u>	<u>9,511,876</u>	<u>7,755,368</u>

Marketable securities are held as collateral by the BoJ to secure against overdraft in the trading account. At 30 September 2010, these securities totalled \$150,000,000 (2009 - \$150,000,000). Marketable securities totaling \$35,000,000 (2009 - \$35,000,000) are also held by FirstCaribbean International Bank Limited to secure bank overdraft facilities (Note 9).

Marketable securities are pledged under repurchase agreements with customers. At 30 September 2010, these securities totalled \$3,336,805,000 (2009 - \$4,403,129,000).

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 11. Marketable Securities (Continued)

In 2008, the Group and company reclassified certain financial assets out of the available-for-sale category into the loans and receivables category. The Group had the intent and ability to hold these reclassified loans and receivables for the foreseeable future or until maturity at the date of reclassification, which was 30 September 2008.

As at 30 September 2010, the fair value and the carrying value of financial assets reclassified were \$1,455,099,000 and \$1,401,660,000 respectively (30 September 2009 - \$1,482,116,000 and \$1,543,878,000). Had the securities not been reclassified from available-for-sale to loans and receivable, the Group and company would have recorded a gain in equity of \$53,438,000 (2009 – loss of \$61,762,000).

The fair value of the GOJ Global Bonds was determined by reference to a discounted cash flow model, using market yields obtained from the Bloomberg yield curve.

Included in the fair value reserve in equity for the Group and company is a fair value loss in the amount of \$58,563,628 (2009 - \$68,968,000) on financial assets reclassified out of the available-for-sale category into loans and receivable category.

The effective interest rates on financial assets reclassified into loans and receivables as at year end ranged between 8.00% and 13.00% (2009 - 8.00% and 13.00%).

Presented below are the estimated amounts of undiscounted cash flows the Group and company expect to recover from these financial assets as at the end of the year:

	2010					Total
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Year \$'000	Over 5 Years \$'000	
GOJ Global Bonds	-	39,811	90,830	1,062,966	1,499,187	2,692,794

	2009					Total
	Within 1 Month \$'000	Within 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Year \$'000	Over 5 Years \$'000	
GOJ Global Bonds	11,946	42,158	90,141	666,732	2,290,543	3,101,520

### Jamaica Debt Exchange

In February 2010, the Group and the company participated in the Jamaica Debt Exchange (JDX) transaction. The JDX involved a par-for-par exchange of domestic debt instruments ("Old Notes") issued by the Government of Jamaica for new debt instruments ("New Notes") having lower interest rate and longer maturities. While the Old Notes were all callable by the Government of Jamaica, a majority of New Notes will be non-callable. Participation in the JDX was voluntary.



# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 12. Receivables

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Receivable from clients	61,751	35,055	61,751	24,871
Prepaid expenses	3,692	3,786	3,215	2,832
Withholding tax	352,830	271,643	352,830	270,534
Other	18,464	10,890	8,685	10,890
	<u>436,737</u>	<u>321,374</u>	<u>426,481</u>	<u>309,127</u>

## 13. Earnings Per Share

### (a) Basic

Basic 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 21).

	2010 \$'000	2009 \$'000
Net profit attributable to ordinary shareholders	97,086	98,625
Weighted average number of ordinary shares in issue	434,736	405,733
Basic earnings per share	<u>\$0.22</u>	<u>\$0.24</u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At year end, the company's convertible preference shares were dilutive. The convertible preference shares are assumed to have been converted into ordinary shares, and the net profit has been adjusted to eliminate the interest expense less the tax effect. In the prior year there were no dilutive potential ordinary shares.

	2010 \$'000
Net profit attributable to ordinary shareholders	97,086
Interest expense on convertible debt, net of tax	545
Profit used to determine diluted earnings per share	<u>97,631</u>
Weighted average number of ordinary shares in issue	436,439
Diluted earnings per share	<u>\$0.22</u>

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 14. 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.

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
BPM Finance Limited -				
Interest paid on investments	(19,972)	(20,582)	(19,972)	(20,582)
Interest received on investments	3,957	1,491	3,957	1,491
Barita Unit Trusts Management Limited -				
Interest paid on investments	-	-	(17,355)	(2,117)
Rental income received	-	-	-	404
Barita Unit Trust Funds-				
Management fees	33,533	32,672	-	-
Interest paid on investments	(13,550)	(11,725)	(13,550)	(11,725)
Gain on disposal of investments	6,336	-	-	-
Barita Leasing Limited -				
Interest paid on investments	(3,055)	(4,032)	(3,055)	(4,032)
Key management personnel -				
Interest paid on investments	-	(1,073)	-	(1,073)
Directors -				
Interest paid on investments	(565)	-	(565)	-
Interest received on investments	34	-	34	-

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 14. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Receivables -				
Barita Unit Trusts Management Company Limited	-	-	129	129
Barita Unit Trust Money Market Fund	3,209	3,076	-	-
Barita Education Fund	7,330	937	7,330	651
Key management personnel	1,029	103	1,029	103
Other related parties	285	69	88	69
	<u>11,853</u>	<u>4,382</u>	<u>8,576</u>	<u>952</u>
Payables -				
Barita Leasing Limited	(576)	(1,587)	(576)	(576)
Barita Education Fund	-	(56)	-	(56)
Barita Unit Trust Capital Growth Fund	(191)	(199)	-	-
	<u>(767)</u>	<u>(1,842)</u>	<u>(576)</u>	<u>(632)</u>
Securities purchased under resale agreement -				
BPM Finance Limited	9,700	9,700	9,700	9,700
Marketable securities -				
Barita Unit Trust Money Market Fund	-	31,026	-	-
Barita Unit Trust Capital Growth Fund	10,315	9,685	-	-
	<u>10,315</u>	<u>40,711</u>	<u>-</u>	<u>-</u>
Securities sold under repurchase agreement -				
BPM Finance Limited	(219,716)	(159,730)	(219,716)	(159,730)
Barita Leasing Limited	(19,793)	(26,686)	(19,793)	(26,686)
Barita Unit Trust Management Company Limited	-	-	(54,642)	(22,537)
Barita Unit Trust Money Market Fund	(52,662)	(59,492)	(52,662)	(59,492)
Barita Unit Trust Capital Growth Fund	(14,888)	(44,755)	(14,888)	(44,755)
Key management personnel	-	(2,173)	-	(2,173)
	<u>(307,059)</u>	<u>(292,836)</u>	<u>(361,701)</u>	<u>(315,373)</u>
Redeemable preference shares - Barita Unit Trusts Management	-	-	(135,870)	-

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 14. Related Party Transactions and Balances (Continued)

(c) Key management compensation

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Salaries	70,688	56,180	63,864	46,924
Statutory deductions	3,345	3,036	3,345	2,900
Pension	4,564	2,160	4,564	2,053
Commission	8,548	2,006	8,548	2,006
	<u>87,145</u>	<u>63,382</u>	<u>80,321</u>	<u>53,883</u>
Directors' emoluments –				
Management remuneration (included in staff costs)	14,916	14,527	8,092	7,462
Directors' fees	710	550	700	500
	<u>15,626</u>	<u>15,077</u>	<u>8,792</u>	<u>7,962</u>

### 15. Property, Plant and Equipment

	The Group				Total \$'000
	Land & Buildings \$'000	Office Furniture, Machines & Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	
	<b>2010</b>				
<b>At Cost or Valuation -</b>					
1 October 2009	111,078	29,074	19,605	14,912	174,669
Additions	3,740	1,815	3,806	-	9,361
Disposals	-	-	(40)	(4,286)	(4,326)
At 30 September 2010	<u>114,818</u>	<u>30,889</u>	<u>23,371</u>	<u>10,626</u>	<u>179,704</u>
<b>Depreciation -</b>					
1 October 2009	3,219	12,677	17,097	9,425	42,418
Charge for the year	1,898	2,055	985	2,511	7,449
Disposals	-	-	(40)	(3,605)	(3,645)
At 30 September 2010	<u>5,117</u>	<u>14,732</u>	<u>18,042</u>	<u>8,331</u>	<u>46,222</u>
<b>Net Book Value -</b>					
30 September 2010	<u>109,701</u>	<u>16,157</u>	<u>5,329</u>	<u>2,295</u>	<u>133,482</u>

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 15. Property, Plant and Equipment (Continued)

	The Group				
	Land & Buildings	Office Furniture, Machines & Equipment	Computer Equipment	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>2009</b>				
<b>At Cost or Valuation -</b>					
1 October 2008	111,078	25,782	16,924	14,934	168,718
Additions	-	3,292	2,681	2,628	8,601
Disposals	-	-	-	(2,650)	(2,650)
At 30 September 2009	111,078	29,074	19,605	14,912	174,669
<b>Depreciation -</b>					
1 October 2008	861	10,245	11,323	6,478	28,907
Charge for the year	2,358	2,432	5,774	4,238	14,802
Disposals	-	-	-	(1,291)	(1,291)
At 30 September 2009	3,219	12,677	17,097	9,425	42,418
<b>Net Book Value -</b>					
30 September 2009	107,859	16,397	2,508	5,487	132,251

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 15. Property, Plant and Equipment (Continued)

	The Company				
	Land & Buildings \$'000	Office Furniture, Machines and Equipment \$'000	Computer Equipment \$'000	Motor Vehicles \$'000	Total \$'000
	<b>2010</b>				
<b>At Cost or Valuation -</b>					
At 1 October 2009	110,000	24,385	16,247	13,490	164,122
Additions	3,740	1,797	3,806	-	9,343
Disposals	-	-	-	(2,864)	(2,864)
At 30 September 2010	113,740	28,182	20,053	10,626	170,601
<b>Depreciation -</b>					
At 1 October 2009	2,312	12,243	14,301	6,891	35,747
Charge for the year	1,854	2,027	863	1,726	6,470
Relieved on disposals	-	-	-	(2,183)	(2,183)
At 30 September 2010	4,166	14,270	15,164	6,434	40,034
<b>Net Book Value -</b>					
At 30 September 2010	109,574	11,912	4,889	4,192	130,567
	<b>2009</b>				
<b>At Cost or Valuation -</b>					
At 1 October 2008	110,000	21,197	14,179	13,513	158,889
Additions	-	3,188	2,068	2,627	7,883
Disposals	-	-	-	(2,650)	(2,650)
At 30 September 2009	110,000	24,385	16,247	13,490	164,122
<b>Depreciation -</b>					
At 1 October 2008	-	9,834	8,667	4,730	23,231
Charge for the year	2,312	2,409	5,634	3,452	13,807
Relieved on disposals	-	-	-	(1,291)	(1,291)
At 30 September 2009	2,312	12,243	14,301	6,891	35,747
<b>Net Book Value -</b>					
At 30 September 2009	107,688	12,142	1,946	6,599	128,375

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 16. Intangible Assets

	The Group and Company		
	Computer Software \$'000	Software development work in progress \$'000	Total \$'000
	<b>2010</b>		
<b>At Cost or Valuation -</b>			
At 1 October 2009	8,841	-	8,841
Additions	229	14,823	15,052
At 30 September 2010	9,070	14,823	23,893
<b>Amortisation -</b>			
At 1 October 2009	7,231	-	7,231
Charge for the year	490	-	490
At 30 September 2010	7,721	-	7,721
<b>Net Book Value -</b>			
At 30 September 2010	1,349	14,823	16,172
	<b>2009</b>		
<b>At Cost or Valuation -</b>			
At 1 October 2008	7,011	-	7,011
Additions	1,830	-	1,830
At 30 September 2009	8,841	-	8,841
<b>Amortisation-</b>			
At 1 October 2008	7,011	-	7,011
Charge for the year	220	-	220
At 30 September 2009	7,231	-	7,231
<b>Net Book Value -</b>			
At 30 September 2009	1,610	-	1,610

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment

	2010 \$'000	2009 \$'000
Seat on the Jamaica Stock Exchange	2	2

This investment is carried at cost as the fair value of the stock exchange seat cannot be reliably determined.

## 18. Net Profit/Retained Earnings

The net profit and retained earnings of the Group are reflected in the accounts of the company and its subsidiary as follows:

	2010 \$'000	2009 \$'000
<b>Net Profit</b>		
Holding company	85,782	94,564
Subsidiary	11,304	4,061
	<u>97,086</u>	<u>98,625</u>
 <b>Retained Earnings</b>		
Holding company	253,534	167,752
Subsidiary	82,171	70,867
	<u>335,705</u>	<u>238,619</u>



# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 19. Deferred Taxation

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

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable.

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 and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	-	441	-	-
Deferred tax liabilities	(112,689)	(45,742)	(116,154)	(45,742)
	<u>(112,689)</u>	<u>(45,301)</u>	<u>(116,154)</u>	<u>(45,742)</u>

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

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Net (liabilities)/assets at beginning of year	(45,301)	12,826	(45,742)	12,722
Charged to profit and loss (Note 8)	(30,952)	(25,955)	(32,999)	(26,466)
Tax charged to other comprehensive income (Note 8)	(36,436)	(32,172)	(37,413)	(31,998)
Net (liabilities)/assets at end of year	<u>(112,689)</u>	<u>(45,301)</u>	<u>(116,154)</u>	<u>(45,742)</u>

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Deferred Taxation (Continued)

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				
	Fair value gains	Accelerated depreciation	Interest receivable	Exchange gain	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October 2008	73	23,925	118,944	9,519	152,461
(Credited)/charged to profit and loss	-	(1,745)	52,527	33,522	84,304
Charged to other comprehensive income	174	-	-	-	174
At 1 October 2009	247	22,180	171,471	43,041	236,939
Charged/(credited) to profit and loss	-	4,369	(114,260)	28,382	(81,509)
Charged to other comprehensive income	13,021	-	-	-	13,021
At 30 September 2010	13,268	26,549	57,211	71,423	168,451

Deferred tax assets	Fair value losses	Taxes losses	Interest payable	Total
	\$'000	\$'000	\$'000	\$'000
	At 1 October 2008	55,413	19,702	90,172
Credited to profit and loss	-	16,746	41,603	58,349
Charged to shareholders' equity	(31,998)	-	-	(31,998)
At 1 October 2009	23,415	36,448	131,775	191,638
Charged to income statement	-	(32,942)	(79,519)	(112,461)
Charged to other comprehensive income	(23,415)	-	-	(23,415)
At 30 September 2010	-	3,506	52,256	55,762

# Barita Investments Limited

Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 19. Deferred Taxation (Continued)

Deferred tax liabilities	The Company				
	Fair value gains	Accelerated depreciation	Interest receivable	Exchange gain	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October 2008	-	24,224	118,822	9,519	152,565
(Credited)/charged to profit and loss	-	(1,096)	52,389	33,522	84,815
At 1 October 2009	-	23,128	171,211	43,041	237,380
(Credited)/charged to profit and loss	-	4,134	(114,260)	28,382	(81,744)
Charged to other comprehensive income	13,998	-	-	-	13,998
At 30 September 2010	13,998	27,262	56,951	71,423	169,634

Deferred tax assets	Fair value losses	Taxes losses	Interest payable	Total
	\$'000	\$'000	\$'000	\$'000
	At 1 October 2008	55,413	19,702	90,172
Credited to profit and loss	-	16,746	41,603	58,349
Charged to shareholders' equity	(31,998)	-	-	(31,998)
At 1 October 2009	23,415	36,448	131,775	191,638
Charged to profit and loss	-	(32,942)	(81,801)	(114,743)
Charged to other comprehensive income	(23,415)	-	-	(23,415)
At 30 September 2010	-	3,506	49,974	53,480

The amounts shown in the statement of financial position include the following:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred tax liabilities to be settled after more than 12 months	(51,978)	(22,427)	(41,260)	(23,128)
Deferred tax assets to be recovered after more than 12 months	3,506	59,863	3,506	59,863

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Payables

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Client funds	56,337	26,284	56,337	26,284
Statutory liabilities	3,374	8,475	3,374	3,138
Other	31,441	29,141	25,295	23,452
	<u>91,152</u>	<u>63,900</u>	<u>85,006</u>	<u>52,874</u>

### 21. Share Capital and Treasury Shares

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Authorised ordinary shares 600,000,000 (2009 – 600,000,000)				
Authorised redeemable preference shares 100,000,000 (2009 – Nil)				
Authorised convertible preference shares 100,000,000 (2009 – Nil)				
(a) Issued and fully paid ordinary shares of no par value 445,001,824 (2009 – 405,733,824)	754,994	667,550	754,994	667,550
(b) Issued and fully paid preference shares:				
Series 'A' 2012 redeemable cumulative variable rate preference shares	299,970	-	299,970	-
Series 'B' 2012 convertible cumulative variable rate preference shares	13,620	-	13,620	-
	<u>1,068,584</u>	<u>667,550</u>	<u>1,068,584</u>	<u>667,550</u>
Less preference shares accounted for as liabilities under IFRS	<u>(303,430)</u>	<u>-</u>	<u>(303,430)</u>	<u>-</u>
	<u>765,154</u>	<u>667,550</u>	<u>765,154</u>	<u>667,550</u>
(c) Treasury shares	<u>(10,145)</u>	<u>(9,500)</u>	<u>(9,500)</u>	<u>(9,500)</u>

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Share Capital and Treasury Shares (Continued)

Through its initial public offering on 7 December 2009, the company issued the following shares:

- (i) 200,000,000 ordinary shares;
- (ii) 99,990,000 redeemable preference shares; and
- (iii) 4,540,000 convertible preference shares

The shares were listed on the JSE on 15 January 2010.

BUTM participated in the Barita's initial public offering by acquiring 598,000 ordinary shares and 45,290,000 redeemable preference shares. The ordinary shares acquired by BUTM are treated as treasury shares in the consolidated financial statements while the redeemable preference shares have been eliminated, as discussed below.

#### **Redeemable preference shares**

The significant terms and conditions of the redeemable preferences shares are as follows:

- (i) The right to cumulate dividends at a variable rate which was agreed at 16.5% in the first year.
- (ii) In the event of winding up or other return of capital, the right to be paid in priority to any holder of ordinary shares.
- (iii) No right to vote at any general meeting except in the event of a failure to pay two consecutive dividends payment period or on winding up of the company.
- (iv) Mandatory redemption of the shares at \$3 per share no later than three year after the date of issue.

In accordance with the provisions of IAS 32, these preference shares were classified as a liability as the terms of the preference shares resulted in the company incurring an unavoidable obligation of the company to pay cash. The dividends declared on the preference shares are dealt with in the profit and loss and are part of interest expense. The carrying value of the preference shares issued to BUTM of \$135,870,000 has been eliminated in the consolidated financial statements, resulting in the carrying value of the redeemable preference shares being \$164,100,000 for the Group.

#### **Convertible preference shares**

The significant terms and conditions of the convertible preference shares are similar to the redeemable preference shares with the exception of the following:

- (i) The right to cumulate dividends at a variable rate which was agreed at 12% in the first year.
- (ii) These shares are mandatorily converted into ordinary shares using a specified conversion formula, in November 2012.
- (iii) Dividends paid do not attract income tax.

In accordance with IAS 32, the convertible preference shares were deemed to be a hybrid financial instrument with both a debt and an equity component. Consistent with the requirement of the standard, the instrument was separated into its component parts to facilitate separate recognition. The value of the liability component and the equity component were determined at the date the preference shares were issued. The liability component of \$3,460,000 was determined by calculating the present value of the dividend payments using a market interest rate for a similar non-convertible bond as the discount factor. The residual amount of \$10,160,000, representing the equity component, was included in share capital.

# Barita Investments Limited

## Notes to the Financial Statements

30 September 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Share Capital and Treasury Shares (Continued)

The following transactions occurred in the prior period:

- (i) On 1 April 2009, the company acquired BUTM by way of a share exchange between the shareholders of Barita and the shareholders of BUTM. Under the terms of the agreement each shareholder of BUTM would exchange 4.14 of their current shareholdings in exchange for one share in Barita. At the date of the exchange, each share in BUTM was valued at \$3.59 resulting in a purchase consideration of \$85,700,000. This purchase consideration was settled by way of a share issue of 5,759,830 shares which were allocated to the shareholders of BUTM.
- (ii) On 5 August 2009, the Board of Directors of Barita authorized the issue of bonus shares of 338,111,520 which was financed from the capitalization of \$519,000,000 from retained earnings.
- (iii) Prior to the acquisition of BUTM, the company purchased 987,526 of its own shares from a former director. The agreed consideration for the acquisition of the shares was \$9,500,000.

### 22. Capital Reserve

This represents the unrealised surplus on revaluation of property, plant and equipment. The movement on the capital reserve is as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At 1 October	1,103	86,803	62,958	62,958
Adjustment on elimination of investment in subsidiary	-	(85,700)	-	-
30 September	1,103	1,103	62,958	62,958

### 23. Fair Value Reserve

This represents the unrealised surplus or deficit on the revaluation of available-for-sale investment securities.