

Pan-Jamaican Investment Trust Limited

Report to Stockholders

December 31, 2015

On behalf of the Board of Directors, we are pleased to present the consolidated financial statements of Pan-Jamaican Investment Trust Limited for the year ended December 31, 2015.

The financial highlights are:

- Net profit attributable to owners of \$3,186 million (2014: \$2,843 million)
- Return on opening equity of 15% (2014: 16%)
- Earnings per stock unit of \$15.19 (2014: \$13.55)
- Dividends per stock unit of \$2.85 (2014: \$2.65)
- Book value per stock unit of \$103.68 at year end (December 31, 2014: \$100.81)

Income Statement

Net profit attributable to owners for the year ended 31 December 2015 amounted to \$3,186 million, compared to \$2,843 million in 2014, an increase of 12%, while earnings per stock unit were \$15.19 compared to \$13.55 for 2014.

Property income decreased 4% to \$1,483 million from \$1,551 million, reflecting rental income of \$1,254 million versus \$1,349 million in 2014. During the year 2015 a prominent New Kingston tenant moved into their own building, and we continue to look for a high quality replacement. Property revaluation gains of \$229 million were 13% higher than the prior year (\$202 million). Our property segment continues to be a significant contributor to group operating profit, making a contribution of \$568 million compared to last year's level of \$697 million.

Investment income of \$206 million lagged last year's level of \$257 million, while our investment management segment posted an operating loss of \$91 million versus last year's loss of \$9 million. Slower Jamaican dollar devaluation relative to United States dollar and strong appreciation relative to the Canadian dollar resulted in reduced foreign exchange translation gains of \$26 million compared to \$117 million last year. The reduced foreign exchange translation gains as well as smaller declines in interest and dividend income were partially offset by reduced impairment charges on available-for-sale securities of \$39 million (compared to \$69 million during the prior year), and improved realized gains on disposals of investments of \$127 million compared to \$83 million in 2014.

Total operating expenses for the year amounted to \$1,268 million compared to the 2014 level of

\$1,181 million, an increase of 7%. Direct costs of property management fell from \$651 million to \$562 million, primarily as a result of reduced utility costs. Staff costs increased by \$125 million, driven by an increase of \$92 million in pension costs arising from a one-time uplift to the benefits of the Pan-Jam pension plan.

Finance costs fell to \$496 million in 2015 from \$507 million last year, as a result of lower foreign exchange losses partially offset by higher interest costs as a result of the issue of new Jamaican dollar bonds and the repayment of United States dollar denominated debt.

Total comprehensive income for 2015 was \$1,256 million versus \$3,704 million for 2014. The 2015 figure includes a negative share of other comprehensive income of associated companies of \$2,005 million. This is mainly due to unrealized fair value losses on Sagicor Group Jamaica Limited (“Sagicor”)’s available-for-sale securities arising in the latter half of 2015. These reflected volatility in global bond prices driven by weaknesses in certain key economies and in commodity prices.

Associated Companies and Joint Ventures

Our 31.5% stake in Sagicor continues to generate the majority of our income from associated and joint venture companies. We also continue to hold 20% interests in Hardware & Lumber Limited (“H&L”) and Chukka Caribbean Adventures Limited (“Chukka”); a 50% interest in Mavis Bank Coffee Factory Limited (“Mavis Bank”), which is a joint venture with Jamaica Producers Group Limited; a 25% interest in New Castle Company Limited (“New Castle”), owners of the Walkerswood and Busha Browne brands and holders of half of our interest in Mavis Bank; a 32% interest in Caribe Hospitality Jamaica Limited (“Caribe”), developers of the Marriott Courtyard hotel in New Kingston which opened in December 2015; and a 50% interest in Kingchurch Property Holdings Limited, a property developer currently refurbishing the former Oceana hotel in downtown Kingston.

Our share of results of associated and joint venture companies increased by \$533 million (20%) to \$3,226 million, compared to the 2014 amount of \$2,693 million. Of this amount, \$3,054 million (2014 - \$2,663 million) was generated by Sagicor. Sagicor’s net profit attributable to shareholders was \$9,793 million, an increase of 15% over the prior year, representing a 21% return on average equity. Sagicor’s results were driven by strong banking and insurance results, good growth in all business areas and the release of reserves resulting from changes to tax rules for life insurance companies.

H&L reported a profit of \$164 million compared to \$217 million a year ago. H&L’s operating profit amounted to \$218 million, a decrease of \$67 million compared to the 2014 level of \$285 million. This reduction was driven principally by an increase in operating expense and reduction in other income. At the end of 2015, the majority interest in H&L was purchased at a price of \$18.50 per share and in accordance with Jamaica Stock Exchange rules an offer was made in January 2016 by the purchaser to all other shareholders during 2016 on the same terms. We have accepted this offer.

Chukka Caribbean Adventures Limited is the regional leader in adventure tours, and currently has operations in 3 countries. Our share of results improved to \$48 million in 2015, versus \$25 million in the prior year.

Our share of results from our 50% investment in Mavis Bank, the country's premier processor and seller of Jamaica Blue Mountain coffee was a profit of \$48 million, compared to a loss of \$40 million in 2014. The current year's performance was positively affected by strong pricing in international markets and increased share of the crop. Adequate supply however remains a concern for the industry.

New Castle had an improved year operationally in 2015 and also benefited from the stronger performance of Mavis Bank, with our share of results amounting to \$61 million (\$13 million in 2014). New Castle continues to expand its export and distribution of the Walkerswood, Busha Browne and Jamaica Joe lines of sauces and seasonings principally as result of new distribution arrangements in the USA.

Our Courtyard Marriott commenced operations in December 2015, while through our joint venture Kingchurch Property Holdings we continue development of the former Oceana property.

Balance Sheet

Stockholders' equity increased to \$21.8 billion at December 31, 2015 (2014: \$21.1 billion), which equates to a book value per share at year-end of \$103.68 (2014: \$100.81), an increase of 3%. Total assets at December 31, 2015 amounted to \$28.0 billion, compared to \$26.4 billion at December 31, 2014.

Outlook

During 2015, Jamaica's economic fundamentals improved significantly, with the debt to GDP ratio significantly reduced, inflation and interest rates at historic lows, and improvements in unemployment, business and consumer confidence and growth statistics. We trust that the new administration will continue with the crucial fiscal and structural adjustments, as well as the overarching sense of fiscal responsibility and discipline, that have placed Jamaica on this improving path. We are very encouraged by the new government's focus on resources to stimulate economic growth and job creation, and combined with continued attention to the IMF agreement we are confident that Jamaica will soon enjoy the growth that we have long felt would eventually result from the difficult sacrifices made.



Stephen Facey
Chairman and Chief Executive Officer



Paul Hanworth
Chief Operating Officer