

# Pan-Jamaican Investment Trust Limited 1996

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

### 1. Significant Accounting Policies

#### (a) Consolidation

The group financial statements comprise the financial statements of the company, its subsidiaries and associated companies made up to 31 December 1996 except for Long Pond Estates Limited which is made up to 30 September 1996.

All amounts are stated in Jamaican dollars. At 31 December the rate of exchange was approximately J\$35 to US\$1 (1995:J\$40 to US\$1).

The wholly and partly owned subsidiaries at 31 December 1996 are:

	Principal Activities	Proportion of issued equity capital held by	
		Company	Subsidiary
First Life Insurance Company Limited	Life and Health Insurance	73%	
Jamaica Property Company Limited	Office Rental		100%
Jamaica Property Development Limited	Property Management		100%
Jamaica Property Management Limited	Property Management		100%
Pan Caribbean Merchant Bank Limited	Merchant Banking		100%
Pan Caribbean Investments Limited	Financial Services		100%
Portfolio Partners Limited	Investment Management		100%
Hardware & Lumber Limited	Trading	58%	
H & L True Value Limited	Trading		100%

H & L Agri & Marine Company Limited	Trading		100%
Hole-In-The-Wall Limited	Trading		100%
Office Services Limited	Construction and Janitorial Services		100%
Wherry Wharf Sales Company Limited	Trading		93%
Inter-Amco Inc. (Incorporated in The United States of America)	Purchasing Agent	100%	
Jamaican Floral Exports Limited	Horticulture	80%	
Jamaican Floral Exports (1993) Limited	Horticulture		50%
Jamaican Heart Limited	Horticulture		100%
Pan-Jamaican Mortgage Society Limited	Financial Services	100%	
Scotts Preserves Limited	Manufacturing	100%	
Busha Browne's Company Limited	Distribution		100%
Busha Browne's Company Limited (Incorporated in the Bahamas)	Distribution		100%
Scotts of Jamaica Limited	Distribution		100%

The Company and all subsidiaries, except where indicated otherwise are incorporated in Jamaica.

(b) Expenses

Expenses are charged to income as incurred except for amounts allocated to lands awaiting development, construction in progress and developments for sale, subject to carrying costs not exceeding realisable value. Expenses which relate to future periods are included in deferred expenditure and amortised over the expected periods of benefit.

(c) Fixed assets and depreciation

Fixed assets are stated at cost, with the exception of certain freehold land and buildings which are stated at depreciated replacement cost or market value as computed in 1977. Additions subsequent to valuation are stated at cost. The cost or valuation of fixed assets is written off on the straight line method over the expected useful lives of the assets held at the beginning of the year. The expected average useful lives are as follows:

Buildings	20 to 50 years
Plant, furniture and equipment	8 to 15 years
Motor vehicles	5 years
Leasehold improvement	Period of lease
Plant stock	5 years

(d) Investment properties

Freehold land and buildings held for investment are stated at market value. Valuations are revised on the basis of annual appraisals carried out by independent property appraisers and valuers.

(e) Investments

Investments are stated as follows:

- (i) Quoted equities held by the insurance and banking subsidiaries at market value and all other equities at cost with adjustment for any permanent diminution in value;
- (ii) Government of Jamaica and other securities at cost after provision for any anticipated loss on realization;
- (iii) Mortgage loans at the aggregate of the unpaid principal;
- (iv) Policy loans at the aggregate of the unpaid balance;
- (v) Investments in associated companies are accounted for using the equity method of accounting.

(f) Investment reserves

The group's life insurance subsidiary, First Life Insurance Company Limited, reflects realised gains or losses together with unrealised appreciation or depreciation in market values of quoted equities and investment properties in investment reserves. A percentage of this reserve is transferred annually to the profit and loss account.

(g) Reserve for future benefits

The reserve for future benefits to policyholders is calculated by the company's actuary based on the details of business in force at the year end, and represents the amount required, together with future premiums and interest, to provide for future benefits on insurance and annuity contracts. These reserves are actuarially determined using interest and mortality assumptions appropriate to the policies in force. Movements in reserves are reflected in the profit and loss account.

(h) Taxation and Deferred Taxation

Taxation charged in these financial statements is based on the profit for the year. Deferred taxation is recorded only in respect of timing differences which are expected to reverse in the foreseeable future.

(i) Foreign currency translation

Assets or liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Losses or gains are reflected in the profit and loss account.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the FIFO and average cost bases.

(k) Finance leases

The gross investment in finance leases net of unearned income is recorded as a receivable balance.

2. Consolidated Profit and Loss Account

(a) Group profit before taxation is arrived at after taking into account the following items:

	1996 \$'000	1995 \$'000
Interest earned from banking operations	47,110	34,368
Investment income	118,053	106,282
Directors' emoluments		8
Fees	25	16,276
Other	17,197	
Auditors' remuneration		
Current year	10,911	9,351
Prior year	883	1,078
Depreciation	31,112	27,262
Amortisation of deferred expenditure	4,362	14,269
Share of losses in associated companies	<u>10,274</u>	<u>18,640</u>

(b) Interest

	1996 \$'000	1995 \$'000
Mortgage debentures and fixed loans	15,675	4,575
Bank overdraft and other	67,128	88,204
Interest on banking operations	<u>21,669</u>	<u>38,646</u>
	104,472	131,425

(c) The charge for taxation comprises

	1996 \$'000	1995 \$'000
Income tax at 33 1/3%	4,001	3,457
Prior year underprovision of income tax	3,515	-
Premium tax	2,754	2,088
Investment income tax	8,584	7,059
Share of tax charge of associated company	74	-
Stamp duties	<u>7,096</u>	<u>8,204</u>
	<b><u>26,024</u></b>	<b><u>20,808</u></b>

At 31 December 1996 substantial tax losses are available for set off against future profits of certain subsidiaries.

	1996 \$'000	1995 \$'000
(d) Net loss dealt with in the financial statements of the holding company was	<b><u>(3,067)</u></b>	<b><u>(12,844)</u></b>

3. Earnings Per Stock Unit

The calculation of earnings per stock unit is based on:

- (i) the group profit after taxation and minority interest;
- (ii) the weighted average number of units in issue during the year (1996 - 152,521,271; 1995 - 135,281,457).

4. Financed Assets

	THE GROUP					Total
	Land & Buildings	Leasehold Improvement & Plant Stock	Work in Progress	Plant, Equipment & Furniture	Motor Vehicles	
Cost or Valuation -						
1 January 1996	25,503	30,880	8,957	159,466	27,970	252,776
Additions	2,943	6,838	10,334	14,136	3,709	37,960
Transfers	-	( 2,606)	-	2,606	-	-
Disposals	( 175)	( 1,714)	-	( 4,283)	( 3,471)	( 9,643)
31 December 1996	<u>28,271</u>	<u>33,398</u>	<u>19,291</u>	<u>171,925</u>	<u>28,208</u>	<u>281,093</u>
Depreciation -						
1 January 1996	8,383	9,337	-	51,422	8,078	77,220
Charge for the year	3,546	4,984	-	17,370	5,212	31,112
On disposals	-	(1,714)	-	( 4,021)	(2,109)	( 7,844)
31 December 1996	<u>11,929</u>	<u>12,607</u>	<u>-</u>	<u>64,771</u>	<u>11,181</u>	<u>100,488</u>
Net Book Value -						
31 December 1996	<u><b>16,342</b></u>	<u><b>20,791</b></u>	<u><b>19,291</b></u>	<u><b>107,154</b></u>	<u><b>17,027</b></u>	<u><b>180,605</b></u>
31 December 1995	<u><b>17,120</b></u>	<u><b>21,543</b></u>	<u><b>8,957</b></u>	<u><b>108,044</b></u>	<u><b>19,892</b></u>	<u><b>175,556</b></u>

	THE COMPANY				Total
	Leasehold Improvement \$'000	Plant, Equipment & Furniture \$'000	Motor Vehicles \$'000		\$'000
Cost -					
1 January 1996	199	2,611	1,852		4,662
Additions	-	26	-		26
31 December 1996	<u>199</u>	<u>2,637</u>	<u>1,852</u>		<u>4,688</u>
Depreciation -					
1 January 1996	118	1,106	427		1,651
Charge for the year	15	213	309		537
31 December 1996	<u>133</u>	<u>1,319</u>	<u>736</u>		<u>2,188</u>
Net Book Value -					
31 December 1996	<u><b>66</b></u>	<u><b>1,318</b></u>	<u><b>1,116</b></u>		<u><b>2,500</b></u>
31 December 1995	<u><b>81</b></u>	<u><b>1,505</b></u>	<u><b>1,425</b></u>		<u><b>3,011</b></u>

5. Investment Properties

Investment properties were valued at current market value as at 31 December 1996 by The C.D. Alexander Company Realty Limited, property appraisers and valuers.

6. Investments

	The Group		The Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Associated companies -				
Cost	66,748	85,895	44,358	43,022
Group's/company's share of -				
Net loss	(53,995)	(45,477)	(36,144)	(20,300)
Reserves	88,461	98,753	-	-
	<u>101,214</u>	<u>139,171</u>	<u>8,214</u>	<u>22,722</u>
Quoted	65,809	63,598	35,032	30,032
Unquoted	3,877	2,371	1,572	1,572
Government of Jamaica and other securities				
Mortgage loans	130,453	96,957	15,474	16,074
Assets held under repurchase agreements	22,727	20,737	-	-
Deposits	165,200	-	-	-
NHT contributions	7,635	66,375	-	-
	265	265	12	12
	<u>497,180</u>	<u>389,474</u>	<u>60,304</u>	<u>70,412</u>

The group's associated companies and shareholdings are as follows:

Proportion held by First Life Insurance Company Limited -		
Impan Properties Limited	-	20%
Knutsford Holdings Limited	-	28%
St. Andrew Developers Limited	-	66%
Proportion held by the company -		
Long Pond Estates Limited	-	40%

The Group's investment in St. Andrew Developers Limited is intended to be short term and, as a result, this is accounted for on the equity method.

The National Housing Trust contributions were made prior to 31 July 1979 and are recoverable in the years 2001 to 2004.

7. Other Insurance and Banking Assets

	The Group	
	1996	1995
	\$'000	\$'000
Loans on policies	23,435	19,924
Loans to customers and lease receivables	255,307	217,346
Accrued interest	34,195	64,760
Customers' liability under guarantees	32,342	22,933
Receivables	77,697	86,208
Cash resources	<u>75,217</u>	<u>88,720</u>
	<b><u>498,193</u></b>	<b><u>499,891</u></b>

Included in loans to customers and lease receivables is the group's investment in finance leases as follows:

	\$'000
Minimum lease payments receivable, less provision for losses	79,462
Less: Unearned finance income	(30,373)
	<b><u>49,089</u></b>

Minimum lease payments are receivable in the years ending 31 December:

	\$'000
1997	39,122
1998	22,120
1999	11,981
2000	3,779
2001	<u>2,460</u>
	<b><u>79,462</u></b>



8. Deferred Expenditure  
Deferred expenditure comprises -

	The Group	
	1996	1995
	\$'000	\$'000
Horticulture development costs	3,906	6,627
Other expenditure	13,501	9,755
	<u>17,407</u>	<u>16,382</u>

Expenditure on horticultural projects is being amortised over five to six years.  
Other expenditure is amortised over three to five years.

9. Bank Indebtedness

	The Group		The Company	
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000
Bank loans and overdrafts	116,754	109,183	31,093	4,422
Amounts included in -				
Current maturities	8,923	2,996	-	-
Long term liabilities	41,273	10,797	-	-
	50,196	13,793	-	-
Aggregate amount	<u>166,950</u>	<u>122,976</u>	<u>31,093</u>	<u>4,422</u>
Amount secured	<u>111,258</u>	<u>63,908</u>	<u>-</u>	<u>4,422</u>

10. Share Capital

	1996	1995
	\$'000	\$'000
Authorised -		
Ordinary shares of 10c each	<u>17,500</u>	<u>17,500</u>
Issued and fully paid -		
Ordinary stock units of 10c each	<u>15,804</u>	<u>13,563</u>

During the year, certain employees exercised their option to acquire 337,500 ordinary shares in the company at a price of \$0.60 per share.

The holders of \$10,300,000 in unsecured debentures subscribed to 22,071,429 ordinary shares in the company at a price of \$0.47 per share.

The issued shares were then converted to ordinary stock units which rank pari passu with existing stock units.

11. Capital and Other Reserves

	The Group	The Company
	1996 \$'000	1996 \$'000
Share premium		
Balance at beginning of year	6,507	6,507
Arising on shares issued	<u>8,261</u>	<u>8,261</u>
	<u>14,768</u>	<u>14,768</u>
Realised capital reserves -		
Balance at beginning of year	303,785	292,313
Transfer to retained earnings		
Associated company loss	<u>( 15,844)</u>	<u>( 15,844)</u>
	<u>287,941</u>	<u>276,469</u>
Unrealised capital reserves -		
Balance at beginning of year	17,721	23,723
Arising during the year -		
Losses allocated to minority interest	976	-
Exchange gain on translation of foreign subsidiary	126	-
Other	<u>( 2,421)</u>	<u>-</u>
	<u>16,402</u>	<u>23,723</u>
Insurance and Banking Reserves -		
Investment reserves:		
Balance at beginning of year	696,397	-
Arising during the year -		
Realised and unrealised gain on investment properties		
Realised and unrealised gain on other investments (net)	(169,531)	-
Transfer to ordinary life business revenue account	(4,549)	-
Other	(79,959)	-
	<u>625</u>	<u>-</u>
	<u>442,983</u>	<u>-</u>
Special reserves (note 12):	40,611	-

Balance at beginning of year	(9,206)	-
Transfer from profit and loss	1,737	-
Insurance	<u>33,142</u>	<u>-</u>
Banking	<u>795,236</u>	<u>314,960</u>

## 12. Special Reserves

### Insurance

First Life Insurance Company Limited has included actuarial reserves for future policyholder benefits as part of policyholders' funds and additional reserves that are required to be set aside by Insurance Regulatory Authorities as part of shareholders' funds. The Special Reserve represents the difference between the actuarial reserves as determined by the actuary and the additional amounts required to be set aside by the Jamaican Insurance Regulatory Authorities. The reserve is non-distributable.

### Banking

This represents the amount that Pan-Caribbean Merchant Bank Limited is required to set aside under the licence under which it operates and is non-distributable.

## 13. Policyholders' Funds

	The Group	
	1996	1995
	\$'000	\$'000
Policyholders' funds comprise the following actuarial liabilities:		
Reserve for future benefits receivables	383,962	369,327
Deposit administration funds	309,362	233,551
Pooled pension funds	156,988	128,949
Policy dividends on deposit	15,672	12,994
Other policyholders' funds	<u>2,324</u>	<u>2,076</u>
	<u>868,308</u>	<u>746,897</u>

The actuary has given his opinion that the actuarial liabilities are adequate to provide for future payments under the terms of the policies in force.

14. Other Insurance and Banking Liabilities

	The Group	
	1996 \$'000	1995 \$'000
Amounts due to other banks	44,541	77,958
Promissory notes	-	38,768
Customers' deposits and savings accounts	92,697	133,487
Customers' liabilities under guarantees	32,342	22,933
Payables	80,529	56,877
Benefits payable to policyholders	10,144	6,464
Bank overdraft	-	1,054
	<b><u>260,253</u></b>	<b><u>337,541</u></b>

15. Long Term Liabilities

	The Group		The Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Secured loans -				
First mortgage debenture stocks				
9 1/2%      1975 - 1999	1,649	2,104	1,649	2,104
21%        1984 - 2001	500	500	500	500
13%        1976 - 2000	252	298	252	298
12%        1979 - 2003	1,651	1,795	1,651	1,795
21%        1988 - 1997	101	189	101	189
22%        1983 - 1997	149	299	149	299
21%        1988 - 1998	198	310	198	310
18 1/2%    1995 - 1999	9,000	12,000	9,000	12,000
22%        1985 - 2006	4,247	4,397	4,247	4,397
22%        1987 - 2007	1,323	1,360	1,323	1,360
First mortgage debentures -				
22%        1989 - 2009	1,000	1,000	-	1,000
Mortgage loans -				
15%        1983 - 2003	394	-	-	-
Variable rate loan 1996 - 2000	1,183	-	-	-

Bank loans	33,664	13,793	-	-
Total Secured	<u>55,311</u>	<u>37,457</u>	<u>20,070</u>	<u>24,252</u>
Unsecured loans -				
30% Debt Bond 1994 - 1998	3,985	6,999		
Variable rate Debt Bonds repayable 1993- 1996	1,000	3,750		
Variable rate Debt Bonds repayable 1993- 1996	3,750	21,750		
Variable rate loans repayable 1994- 1998	4,058	4,168		
Variable rate Debt Bonds repayable 2001	30,000	-	-	-
Bank loans	16,532	-	-	-
Other loans (note 10)	-	10,300	-	-
Total unsecured	<u>59,325</u>	<u>46,967</u>	<u>-</u>	<u>-</u>
	114,636	84,424	20,070	24,252
Less current maturities	<u>36,122</u>	<u>22,552</u>	<u>4,318</u>	<u>4,182</u>
	<b><u>78,514</u></b>	<b><u>61,872</u></b>	<b><u>15,752</u></b>	<b><u>20,070</u></b>

Unsecured loans and other loans are obtained at varying rates of interest on a preferential basis.

16. Pension Scheme

The company and its subsidiaries participate in contributory pension plans administered by First Life Insurance Company Limited. Benefits under the plans are based on career earnings. The latest actuarial valuations, which were carried out as at 31 December 1989, indicated that there was adequate funding to provide the benefits under the plans. During the year contributions made by the group were \$6,859,579 (1995 - \$7,972,339) and by the company \$593,612 (1995 - \$341,523).

17. Lease Commitments

At 31 December 1996 the group had future operating lease commitments amounting to \$2,595,000 payable as follows:

	\$'000
In the year ending 31 December 1997	2,595

18. Assets Under Management

Assets under management, which are not beneficially owned by certain subsidiaries, but which are managed by these subsidiaries on behalf of investors, have been excluded from the consolidated balance sheet. At the balance sheet date, the book value of these assets amounted to \$1,720,024,000 (1995: \$783,913,000).

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