

# **First Jamaica Investments Limited**

**Report to Stockholders  
for the year ended December 31, 2010**

# First Jamaica Investments Limited

Audited Consolidated Financial Statements  
For the year ended December 31, 2010

## REPORT TO STOCKHOLDERS

On behalf of the Board of Directors, we are pleased to present the audited consolidated financial statements of First Jamaica Investments Limited for the year ended December 31, 2010.

The highlights are:

- Net profit attributable to owners of \$1,642 million (2009:1,918 million)
- Return on opening equity of 14% (2009: 20%)
- Earnings per stock unit of \$5.43 (2009: \$6.35)
- Book value per stock unit of \$44.61 at year end (December 31, 2009: \$38.36)

### Income Statement

Net profit attributable to owners for the year ended 31 December 2010 amounted to \$1,642 million, compared to \$1,918 million in 2009, a decrease of 14%, while earnings per stock unit were \$5.43 compared to \$6.35 for 2009.

Property income increased \$75 million, 6%, to \$1,256 million, including a 9% increase in rental income to \$956 million and a \$300 million property revaluation gain. The increased income more than offset a 10% increase in property operating costs, which saw increases in energy costs as world oil prices rebounded from 2009 levels, as well as inflationary increases in other expense categories. Our property segment enjoyed overall occupancy levels again exceeding 98% for the year, while contribution to group operating profit of \$589 million was 5% below last year's level of \$618 million.

Investment income decreased \$232 million, or 63%. Our investment management segment posted operating profit of \$129 million for the year, a decrease of \$236 million compared to last year's level of \$365 million. Last year we recorded foreign exchange translation gains of \$115 million, while the recent strengthening of the Jamaican dollar has resulted in \$49 million of foreign exchange translation losses this year, a negative swing of \$164 million. Additionally, interest income of \$149 million is \$36 million below the 2009 level, as a result of reduced interest rates both locally and overseas. Finally, we recorded impairment losses of \$24 million compared to \$9 million in 2009. Net unrealised gains in our portfolio of available-for-sale securities, which are accounted for through comprehensive income and stockholders' equity, amounted to \$82 million for the year compared to \$101 million last year.

Total operating expenses for the year amounted to \$738 million compared to the 2009 level of \$653 million, an increase of 13%. Of these amounts, the year-on-year increase in direct costs of property management was 10% while the increase in general and administrative overhead was \$43 million, or 17%: \$17 million of the increase is attributable to pension expense caused by the lower interest rate environment. We are currently examining our overhead structure in an effort to contain increases in overhead costs below inflation levels.


Our share of reported results of associated companies, represented by our 24.8% investment in Sagicor Life Jamaica Limited (Sagicor), was 4% below the 2009 amount of \$1,189 million. Sagicor's net profit attributable to shareholders was \$4,671 million, an increase of 6% over the prior year, representing a 21% return on average equity. Sagicor's operating revenues and investment income declines were more than offset by careful expense management and prudent underwriting performance. Last year we also recorded \$114 million of income from Sagicor representing our share of a gain on acquisition of its additional interest in Pan Caribbean Financial Services Limited ("PCFS"), now 86% controlled by Sagicor.

#### Balance Sheet

Total assets at December 31, 2010 amounted to \$14.6 billion, compared to \$12.4 billion at December 31, 2009. Stockholders' equity increased to \$13.5 billion (December 31 2009: \$11.6 billion), which equates to a book value per share of \$44.61 as at December 31, 2010 (December 31, 2009: \$38.36).

#### Outlook

Lower interest rates and a compressed economic environment affected both the Group and Sagicor in 2010, and are likely to continue to do so into 2011. Nevertheless, our strong liquidity position and low leverage, combined with our standing as the country's premier commercial property owner and manager, give us reason to be cautiously optimistic.



Maurice W. Facey  
Chairman



Stephen B. Facey  
President & CEO

# First Jamaica Investments Limited

Audited Consolidated Income Statement

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010	2009
	\$'000	\$'000
<b>Income</b>		
Investments	137,187	368,803
Property	1,256,050	1,181,012
Other	62,333	85,777
	1,455,570	1,635,592
Operating expenses	(737,586)	(652,996)
<b>Operating Profit</b>	717,984	982,596
Interest expense	(35,724)	(51,020)
Share of results of associated companies	1,146,967	1,188,569
<b>Profit before Taxation</b>	1,829,227	2,120,145
Taxation	(166,247)	(179,651)
<b>NET PROFIT</b>	1,662,980	1,940,494
<b>Attributable to:</b>		
Owners of the parent	1,642,133	1,917,969
Non-controlling interests	20,847	22,525
	1,662,980	1,940,494
<b>Earnings per stock unit attributable to owners of the parent during the year</b>		
Basic and fully diluted	5.43	6.35

# First Jamaica Investments Limited

Audited Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Profit for the year</b>	<u>1,662,980</u>	<u>1,940,494</u>
<b>Other Comprehensive Income</b>		
Unrealised gain on available-for-sale financial assets, net of tax	81,584	101,489
Gain on dilution of shareholding in associated company	-	11,119
Share of other comprehensive income of associated company	<u>556,132</u>	<u>371,633</u>
<b>Other Comprehensive Income for the year, net of tax</b>	<u>637,716</u>	<u>484,241</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>2,300,696</u></u>	<u><u>2,424,735</u></u>
<b>Attributable to:</b>		
Owners of the parent	2,279,787	2,402,025
Non-Controlling Interests	<u>20,909</u>	<u>22,710</u>
	<u><u>2,300,696</u></u>	<u><u>2,424,735</u></u>

# First Jamaica Investments Limited

Audited Consolidated Statement of Financial Position

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010	2009
	\$'000	\$'000
<b>ASSETS</b>		
<b>Cash and Bank Balances</b>	18,805	12,259
<b>Investments</b>		
Deposits	15,071	122,144
Investment securities:		
Financial assets at fair value through profit and loss	158,902	126,404
Available-for-sale	1,566,908	1,492,436
	1,725,810	1,618,840
Securities purchased under agreements to resell	1,021,671	736,956
Investment properties	3,894,259	3,590,147
Investment in associated companies	7,148,841	5,755,548
	13,805,652	11,823,635
<b>Other Assets</b>		
Taxation recoverable	44,459	53,143
Deferred tax assets	1,982	8,473
Receivables and miscellaneous assets	329,058	174,282
Due from related parties	146,019	181,113
Property, plant and equipment	198,804	90,718
Retirement benefit assets	18,682	36,734
	14,563,461	12,380,357

# First Jamaica Investments Limited

Audited Consolidated Statement of Financial Position (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 \$'000	2009 \$'000
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Stockholders' Equity</b>		
<b>Capital and Reserves Attributable to Owners of the Parent</b>		
Share capital	355,848	355,848
Equity compensation reserve	40,512	35,907
Property revaluation reserve	3,038,261	2,737,909
Investment and other reserves	3,209,811	2,572,157
Retained earnings	6,857,085	5,908,268
Treasury stock	(15,574)	(15,574)
	<u>13,485,943</u>	<u>11,594,515</u>
<b>Non-controlling interests</b>	181,608	160,699
	<u>13,667,551</u>	<u>11,755,214</u>
<b>Liabilities</b>		
Bank overdraft	-	2,610
Taxation payable	24,343	80,656
Due to related parties	20,610	5,244
Loan liabilities	516,324	241,924
Finance lease liability	9,664	1,899
Deferred tax liabilities	128,822	104,499
Retirement benefit liabilities	55,428	50,156
Other liabilities	140,719	138,155
	<u>895,910</u>	<u>625,143</u>
	<u>14,563,461</u>	<u>12,380,357</u>

Approved for issue by the Board of Directors on 1 March 2011 and signed on its behalf by:



Maurice W. Facey

Director



Stephen B. Facey

Director

# First Jamaica Investments Limited

Audited Consolidated Statement of Changes in Equity

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	-----Attributable to Owners of the Parent-----							Total \$'000
	Share Capital \$'000	Equity Compensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Treasury Stock \$'000	Non- Controlling Interests \$'000	
<b>Balance at 1 January 2009</b>	355,848	28,397	2,433,042	2,088,101	4,627,674	(15,574)	137,989	9,655,477
<b>Comprehensive Income</b>								
Net profit	-	-	-	-	1,917,969	-	22,525	1,940,494
Other comprehensive income:								
Unrealised gain on available-for-sale financial assets, net of tax	-	-	-	101,304	-	-	185	101,489
Gain on dilution of shareholding in associated company	-	-	-	11,119	-	-	-	11,119
Share of other comprehensive income of associated company	-	-	-	371,633	-	-	-	371,633
Total other comprehensive income for the year	-	-	-	484,056	-	-	185	484,241
Total comprehensive income	-	-	-	484,056	1,917,969	-	22,710	2,424,735
<b>Transactions with Owners</b>								
Dividends paid	-	-	-	-	(332,508)	-	-	(332,508)
Stock compensation provision	-	7,510	-	-	-	-	-	7,510
Total transactions with owners	-	7,510	-	-	(332,508)	-	-	(324,998)
<b>Transfer</b>								
Transfer of unrealised property revaluation gain	-	-	304,867	-	(304,867)	-	-	-
Transfer	-	-	304,867	-	(304,867)	-	-	-
<b>Balance at 31 December 2009</b>	355,848	35,907	2,737,909	2,572,157	5,908,268	(15,574)	160,699	11,755,214



# First Jamaica Investments Limited

Audited Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

Note	-----Attributable to Owners of the Parent-----							Total \$'000
	Share Capital \$'000	Equity Compensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Treasury Stock \$'000	Non- Controlling Interests \$'000	
<b>Balance at 1 January 2010</b>	355,848	35,907	2,737,909	2,572,157	5,908,268	(15,574)	160,699	11,755,214
<b>Comprehensive Income</b>								
Net profit	-	-	-	-	1,642,133	-	20,847	1,662,980
Other comprehensive income:								
Unrealised gain on available-for-sale financial assets, net of tax	-	-	-	81,522	-	-	62	81,854
Share of other comprehensive income of associated company	-	-	-	556,132	-	-	-	556,132
Total other comprehensive income for the year	-	-	-	637,654	-	-	62	637,716
Total comprehensive income	-	-	-	637,654	1,642,133	-	20,909	2,300,696
<b>Transactions with Owners</b>								
Dividends paid	-	-	-	-	(392,964)	-	-	(392,964)
Stock compensation provision	-	4,605	-	-	-	-	-	4,605
Total transactions with owners	-	4,605	-	-	(392,964)	-	-	(388,359)
Transfer								
Transfer of unrealised property revaluation gain	-	-	300,352	-	(300,352)	-	-	-
Transfer	-	-	300,352	-	(300,352)	-	-	-
<b>Balance at 31 December 2010</b>	355,848	40,512	3,038,261	3,209,811	6,857,085	(15,574)	181,608	13,667,551

# First Jamaica Investments Limited

Audited Consolidated Statement of Cash Flows

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>	<u>341,574</u>	<u>526,299</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(116,764)	(12,630)
Acquisition of investment properties	(3,833)	(2,420)
Purchase of shares in associated company	(87,222)	-
Dividends from associated company	397,028	523,960
Investment securities, net	(245,949)	453,270
Other investing activities	<u>(165,001)</u>	<u>-</u>
Net cash (used in)/provided by investing activities	<u>(221,741)</u>	<u>962,180</u>
<b>Cash Flows from Financing Activities</b>		
Due from/(to) related parties	44,181	(175,531)
Finance lease	7,765	(2,110)
Loans received	444,994	53,653
Loans repaid	(160,016)	(352,521)
Interest paid	(31,335)	(45,893)
Dividends paid	<u>(392,964)</u>	<u>(332,508)</u>
Net cash used in financing activities	<u>(87,375)</u>	<u>(854,910)</u>
Net increase in cash and cash equivalents	32,458	633,569
Effect of exchange rate changes on cash and cash equivalents	(29,173)	28,717
Cash and cash equivalents at beginning of year	<u>866,022</u>	<u>203,736</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>869,307</u></u>	<u><u>866,022</u></u>

# First Jamaica Investments Limited

Notes to the Audited Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## Segmental Financial Information

	2010			
	Investments	Property Management And Rental	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	91,505	1,364,065	-	1,455,570
Inter group revenue	125,961	6,466	(132,427)	-
Total revenue	217,466	1,370,531	(132,427)	1,455,570
Operating profit	129,009	588,975	-	717,984
Interest expense	(10,584)	(25,140)	-	(35,724)
	118,425	563,835	-	682,260
Share of results of associated companies	1,146,967	-	-	1,146,967
Profit before taxation	1,265,392	563,835	-	1,829,227
Taxation	(80,435)	(85,812)	-	(166,247)
Net profit	1,184,957	478,023	-	1,662,980
Segment assets	2,446,817	5,316,231	(348,428)	7,414,620
Investment in associated companies	7,148,841	-	-	7,148,841
	9,595,658	5,316,231	(348,428)	14,563,461
Segment liabilities	126,752	1,117,586	(348,428)	895,910
Other segment items:				
Capital expenditure	-	116,764	-	116,764
Depreciation	-	5,464	-	5,464

# First Jamaica Investments Limited

Notes to the Audited Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## Segmental Financial Information (Continued)

	2009			
	Investments	Property Management And Rental	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	322,081	1,313,511	-	1,635,592
Inter group revenue	125,369	6,084	(131,453)	-
Total revenue	447,450	1,319,595	(131,453)	1,635,592
Operating profit	364,624	617,972	-	982,596
Interest expense	(30,907)	(20,113)	-	(51,020)
	333,717	597,859	-	931,576
Share of results of associated companies	1,188,569	-	-	1,188,569
Profit before taxation	1,522,286	597,859	-	2,120,145
Taxation	(79,228)	(100,423)	-	(179,651)
Net profit	1,443,058	497,436	-	1,940,494
Segment assets	2,565,952	4,447,216	(388,359)	6,624,809
Investment in associated companies	5,755,548	-	-	5,755,548
	8,321,500	4,447,216	(388,359)	12,380,357
Segment liabilities	264,222	749,280	(388,359)	625,143
Other segment items:				
Capital expenditure	-	12,630	-	12,630
Depreciation	-	3,964	-	3,964

# First Jamaica Investments Limited

## Explanatory Note

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These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies as set out in note 2 of the December 31, 2010 audited financial statements.

The group adopted the following accounting standards effective 1 January 2010:

- IAS 1 (Amendment), 'Presentation of financial statements'
- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'