

PAN-JAMAICAN INVESTMENT TRUST  
LIMITED



FINANCIAL PERFORMANCE  
SIX MONTHS ENDED 30 JUNE 2012

# **Pan-Jamaican Investment Trust Limited**

## **Interim Report to Stockholders**

**For the 6 months ended June 30, 2012**

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Pan-Jamaican Investment Trust Limited (“Pan Jam”) for the period ended June 30, 2012.

The highlights are:

- Net profit attributable to owners of \$468 million (2011: \$366 million) for the quarter and \$970 million (2011: \$757 million) for the six months
- Return (annualised) on opening equity of 13% (2011: 14%)
- Basic earnings per stock unit of \$2.20 (2011: \$2.14) for the quarter and \$4.55 (2011: \$4.42) for the six months
- Book value per stock unit of \$72.30 at June 30, 2012 (December 31, 2011: \$68.68)

### Basis of Presentation

During the 3<sup>rd</sup> quarter of last year we acquired the remaining minority-held 17% shareholding in First Jamaica Investments Limited (“First Jamaica”) through a share swap, following which First Jamaica was delisted from the Jamaica Stock Exchange. The 2012 results reflect the new structure whereas last year’s 1<sup>st</sup> quarter and 6 months is presented on the structure existing at that time.

### Income Statement

Net profit attributable to owners for the quarter ended June 30, 2012 amounted to \$468 million, compared to \$366 million in the 2011 2nd quarter, an increase of 28%, equivalent to basic earnings per stock unit of \$2.20 compared to \$2.14 for the same period in 2011. Net profit attributable to owners for the six months ended June 30, 2012 amounted to \$970 million, compared to \$757 million for 2011, an increase of 28%, equivalent to basic earnings per stock unit of \$4.55 compared to \$4.42 for the same period in 2011.

Investment income in the second quarter of 2012 rebounded to \$74 million from \$29 million in the first quarter, driven by good trading gains and dividend income in the current period. Investment income this quarter was similar to last year’s second quarter level of \$75 million. Year to date investment income of \$104 million is 28% below last year due principally to lower interest income as a result of reduced investment yields on lower invested balances, and a reduction in trading gains. Property income continued its steady trajectory reflecting stable occupancy levels and continuing modest growth in property values.

Group operating profit for the 2<sup>nd</sup> quarter increased by \$20 million, or 10%, compared to last year's 2<sup>nd</sup> quarter. Although total revenue was flat for the quarter compared to last year, operating expenses declined \$19 million, driven by merger efficiencies and a reduced level of professional fees associated with investment opportunities. Year to date group operating profit is lower by \$9 million, as the savings in overheads were not quite sufficient to offset the drop in investment income.

### Business Segments

Our property segment enjoyed overall occupancy levels exceeding 96% for the 2<sup>nd</sup> quarter, a slight decline over last year, while contribution to group operating profit of \$194 million for the quarter (\$349 million year-to-date) was \$29 million (\$23 million year-to-date) better, attributable to increases in both rental income and maintenance recoveries.

Our investment management segment posted an operating profit of \$4 million for the quarter, compared to last year's 2<sup>nd</sup> quarter profit of \$29 million, driven by a reduction in interest income resulting from lower investment yields and invested balances. Year-to-date segment operating profit of \$16 million is 76% lower than last year's \$67 million, due principally to lower investment yields and invested balances this year, as well as reduced trading gains.

We recorded a net unrealised loss of \$16 million for the quarter (gain of \$3 million for the half year) in our portfolio of available for sale securities, which are accounted for through comprehensive income and stockholders' equity. These amounts compare to gains of \$16 million in last year's 2<sup>nd</sup> quarter and \$48 million for the half year.

### Associated Companies

The results of associated companies consist principally of our investment in Sagicor. We also hold a 25% interest in New Castle Co. Limited, owners of Walkerswood and Busha Browne, a 50% interest in Mavis Bank Coffee Factory Limited ("Mavis Bank"), a 20% interest in Hardware & Lumber Limited ("H&L"), and a 20% interest in Chukka Caribbean Adventures ("Chukka") acquired in April 2012.

Our total share of results of associated and joint venture companies for the six month period increased by 4.2% to \$678 million, as results were affected by a decline in our share of SLJ's earnings for the quarter compared to last year. We are very encouraged by strong results from our newest investments in Mavis Bank and Chukka this year.

Our share of results of associated company SLJ decreased by \$42 million (13%) for the quarter, but increased \$9 million (1%) million for the half year, principally as a result of adverse claims experience broadly offsetting positive results from strength in earned premiums and new business, and careful expense control. SLJ's first half dividend of 28 cents per share was lower by 18% compared to a year ago.

H&L reported a profit of \$3 million for the 2<sup>nd</sup> quarter, compared to a loss of \$2 million for the same period last year, bringing their year-to-date position to a net profit of \$2

million compared to a loss of \$1 million a year ago. While revenues increased versus the same period a year ago, the company's retail and wholesale hardware operations continue to lose money.

#### Balance Sheet

Total assets at June 30, 2012 amounted to \$16.9 billion, compared to \$15.9 billion at December 31, 2011. Stockholders' equity increased to \$15.4 billion (December 31 2011: \$14.6 billion), which equates to a book value per stock unit of \$72.30 as at June 30, 2012 (December 31, 2011: \$68.68).

#### Subsequent Event

In July 2012 we acquired an additional 8% of the ordinary shares of our associated company Sagicor Life Jamaica Limited (SLJ), increasing our ownership interest to 32.8%. Inasmuch as this transaction took place after the end of the period covered by this report, it has had no impact on the results reported herein.

#### Outlook

Jamaica's economic direction remains uncertain in the absence of an IMF agreement, fundamental changes in the size and cost of the public sector, and comprehensive tax reform. Until these items are addressed and executed, the country will continue to drift and will likely be unable to attract new entrepreneurial investment or create meaningful growth opportunities. We are supportive of the Government's tax initiatives in this regard, and we look forward to the swift implementation of additional actions to address all of these fundamental issues, during this 50<sup>th</sup> year of independence.



Maurice W. Facey – Chairman



Stephen B. Facey – President & CEO

**Pan-Jamaican Investment Trust Limited**  
**and its subsidiaries**  
**Unaudited Consolidated Income Statement**  
**Six months ended 30 June 2012**

	3 Months to Jun-12	3 Months to Jun-11	YTD Jun-12	YTD Jun-11
	\$'000	\$'000	\$'000	\$'000
<b>Income</b>				
Investments	74,457	75,204	103,707	144,754
Property	339,459	335,396	678,938	655,173
Commissions	10,511	10,559	21,269	18,179
Other	21,336	23,227	35,168	40,777
	<u>445,763</u>	<u>444,386</u>	<u>839,082</u>	<u>858,883</u>
Operating expenses	<u>(221,685)</u>	<u>(240,587)</u>	<u>(438,243)</u>	<u>(448,900)</u>
<b>Operating profit</b>	224,078	203,799	400,839	409,983
Interest expense	<u>(12,052)</u>	<u>(22,961)</u>	<u>(23,969)</u>	<u>(50,211)</u>
	212,026	180,838	376,870	359,772
Share of results of associated companies and joint venture	<u>305,075</u>	<u>318,669</u>	<u>678,227</u>	<u>651,199</u>
<b>Profit before taxation</b>	517,101	499,507	1,055,097	1,010,971
Taxation	<u>(44,105)</u>	<u>(46,787)</u>	<u>(75,502)</u>	<u>(79,410)</u>
<b>Net profit</b>	<u>472,996</u>	<u>452,720</u>	<u>979,595</u>	<u>931,561</u>
<b>Net profit attributable to:</b>				
Owners of the parent	468,385	366,317	970,464	757,010
Non-controlling interest	4,611	86,403	9,131	174,551
	<u>472,996</u>	<u>452,720</u>	<u>979,595</u>	<u>931,561</u>
<b>Earnings per stock unit attributable to</b>				
<b>owners of the parent for the period</b>	\$2.20	\$2.14	\$4.55	\$4.42

**Pan-Jamaican Investment Trust Limited**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Comprehensive Income**  
**Six months ended 30 June 2012**

	<b>3 Months to Jun-12 \$'000</b>	<b>3 Months to Jun-11 \$'000</b>	<b>YTD Jun-12 \$'000</b>	<b>YTD Jun-11 \$'000</b>
Net profit for the period	979,595	452,720	979,595	931,561
<b>Other comprehensive income:</b>				
Exchange differences on translating foreign operations	1,941	1,313	2,186	1,313
Unrealised (losses)/gains on available-for-sale financial assets, net of tax	(15,660)	15,729	2,693	48,297
Gains recycled to profit and loss on disposal and maturity of investment assets	(44,413)	(14,820)	(44,413)	(14,820)
Share of other comprehensive income of associates	(53,054)	128,057	52,319	134,653
Other comprehensive income for the period, net of tax	<u>(111,186)</u>	<u>130,279</u>	<u>12,785</u>	<u>169,443</u>
Total comprehensive income for the period	<u>868,409</u>	<u>582,999</u>	<u>992,380</u>	<u>1,101,004</u>
<b>Total comprehensive income attributable to</b>				
Owners of the parent	357,226	899,334	983,312	899,334
Non-controlling interest	4,584	201,670	9,068	201,670
	<u>361,810</u>	<u>1,101,004</u>	<u>992,380</u>	<u>1,101,004</u>

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Financial Position**  
**as at 30 June 2012**

	<b>Unaudited June 2012 \$'000</b>	<b>Audited December 2011 \$'000</b>	<b>Unaudited June 2011 \$'000</b>
<b>ASSETS</b>			
<b>Cash and Bank Balances</b>	97,175	16,081	44,119
<b>Investments</b>			
Short term deposits	252,297	174,923	17,569
Securities			
Financial assets at fair value through profit and loss	251,741	277,867	266,071
Available-for-sale	808,877	1,447,840	1,718,349
Loans & receivables	7,309	7,309	10,034
Deposits	89,435	3,215	19,045
Securities purchased under agreements to resell	706,132	592,673	1,190,182
Investment properties	4,326,833	4,201,355	4,029,521
Investment in joint venture	170,919	74,062	-
Investment in associated companies	9,011,540	8,209,062	7,891,731
	<u>15,625,083</u>	<u>14,988,306</u>	<u>15,142,502</u>
<b>Other assets</b>			
Taxation recoverable	66,545	64,789	45,824
Deferred tax assets	107	107	4,026
Receivables and other assets	739,643	469,301	491,666
Property, plant and equipment	356,322	356,386	321,131
Retirement benefit assets	28,152	28,152	31,708
	<u>1,190,769</u>	<u>918,735</u>	<u>894,355</u>
	<u>16,913,027</u>	<u>15,923,122</u>	<u>16,080,976</u>
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
<b>Capital and Reserves Attributable to the Company's Equity holders</b>			
Share capital	2,141,985	2,141,985	185,354
Property revaluation reserve	2,634,091	2,518,691	2,368,131
Investment and other reserves	3,493,925	3,481,077	3,030,932
Retained earnings	7,145,742	6,503,785	5,801,479
Treasury stock	(9,090)	(9,090)	(18,486)
	<u>15,406,653</u>	<u>14,636,448</u>	<u>11,407,648</u>
<b>Non-controlling interest</b>	<u>216,036</u>	<u>206,968</u>	<u>2,640,649</u>
	<u>15,622,689</u>	<u>14,843,416</u>	<u>14,048,297</u>
<b>Liabilities</b>			
Bank overdraft	419	9,499	12,080
Taxation payable	42,623	43,666	33,876
Due to related party	5,225	5,225	5,225
Bank and other loans	606,680	532,214	1,471,579
Finance lease liability	11,059	12,416	13,647
Deferred tax liability	157,508	164,833	134,862
Retirement benefit liabilities	83,507	81,107	77,789
Payables and other liabilities	383,317	230,746	283,621
Total liabilities	<u>1,290,338</u>	<u>1,079,706</u>	<u>2,032,679</u>
	<u>16,913,027</u>	<u>15,923,122</u>	<u>16,080,976</u>



Maurice W. Facey

Director



Stephen B. Facey

Director

**Pan-Jamaican Investment Trust Limited**  
**Unaudited Consolidated Statement of Changes in Equity**  
**for the period ended 30 June 2012**

**30-Jun-11**

-----Owners Of The Parent-----/

	Share Capital \$'000	Equity Compensation reserve \$'000	Property Revaluation Reserves \$'000	Investment and other reserves \$'000	Retained Earnings \$'000	Treasury Shares \$'000	Non-controlling Interests \$'000	Total \$'000
Balance at 1 January 2011	185,354	39,160	2,247,786	2,888,608	5,274,449	(18,486)	2,469,031	13,085,902
Total comprehensive income for the period	-	-	-	142,324	757,010	-	201,670	1,101,004
Dividends paid	-	-	-	-	(109,635)	-	(30,226)	(139,861)
Stock compensation provision	-	1,078	-	-	-	-	174	1,252
Property revaluation gains	-	-	120,345	-	(120,345)	-	-	-
Balance at end of period	185,354	40,238	2,368,131	3,030,932	5,801,479	(18,486)	2,640,649	14,048,297

**30-Jun-12**

-----Owners Of The Parent-----/

	Share Capital \$'000	Equity Compensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and other reserves \$'000	Retained Earnings \$'000	Treasury Shares \$'000	Non-controlling Interests \$'000	Total \$'000
Balance at 1 January 2012	2,141,985	-	2,518,691	3,481,077	6,503,785	(9,090)	206,968	14,843,416
Total comprehensive income for the period	-	-	-	12,848	970,464	-	9,068	992,380
Dividends paid	-	-	-	-	(213,107)	-	-	(213,107)
Property revaluation gains	-	-	115,400	-	(115,400)	-	-	-
Balance at end of period	2,141,985	-	2,634,091	3,493,925	7,145,742	(9,090)	216,036	15,622,689

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Cash Flows**  
**Six months ended 30 June 2012**

	<b>6-Months to June 2012 \$'000</b>	<b>6-Months to June 2011 \$'000</b>
Net profit	979,595	931,561
<b>Items not affecting cash</b>		
Share of results of associated and joint venture companies	(678,227)	(651,199)
Fair value gains on investment properties	(115,400)	(145,000)
Gains on foreign currency denominated investments, net	(10,188)	(2,666)
Other	<u>81,757</u>	<u>35,588</u>
	257,537	168,284
<b>Changes in operating assets and liabilities</b>		
Other assets	(272,098)	(117,928)
Other liabilities	<u>152,571</u>	<u>63,938</u>
	138,010	114,294
Interest received	56,388	88,671
Interest paid	(21,812)	(46,963)
Income tax paid	<u>(84,619)</u>	<u>(77,390)</u>
<b>Net cash provided by operations</b>	87,967	78,612
<b>Cash flows from investing activities</b>		
Acquisition of investment securities, net	536,381	255,891
Other investment activities	(100,680)	(102,291)
Acquisition of associated company	(355,069)	-
Dividends received from associated company	<u>261,304</u>	<u>316,878</u>
<b>Net cash provided by investing activities</b>	<u>341,936</u>	<u>470,478</u>
<b>Cash flows from financing activities</b>		
Dividends paid to minority interests	-	(30,226)
Dividends paid to company stockholders	(213,107)	(109,635)
Other financing activities	<u>64,211</u>	<u>(118,095)</u>
<b>Net cash used in financing activities</b>	<u>(148,896)</u>	<u>(257,956)</u>
Net increase in cash and cash equivalents	281,007	291,134
Cash & cash equivalents at beginning of the period	<u>774,178</u>	<u>948,656</u>
Cash & cash equivalents at end of the period	<u><u>1,055,185</u></u>	<u><u>1,239,790</u></u>
<b>Comprising of:</b>		
Cash at bank and in hand	97,175	44,119
Short term deposits	252,297	17,569
Securities purchased under agreement to resell	706,132	1,190,182
Overdraft	<u>(419)</u>	<u>(12,080)</u>
	<u><u>1,055,185</u></u>	<u><u>1,239,790</u></u>

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**and its subsidiaries**  
**Unaudited Consolidated Financial Information by Business Segments**

June 30, 2012

	<b>Property Management &amp; Rental \$'000</b>	<b>Investments \$'000</b>	<b>Other Services \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
<b>REVENUE</b>					
External	727,920	66,667	44,495	-	839,082
Inter-segment	5,189	56,530	-	(61,719)	-
<b>Total revenue</b>	<b>733,109</b>	<b>123,197</b>	<b>44,495</b>	<b>(61,719)</b>	<b>839,082</b>
Segment results	348,999	15,684	36,156	-	400,839
Interest expense	(59,350)	(3,335)	-	38,716	(23,969)
	289,649	12,349	36,156		376,870
Share of results of associated and joint venture companies	-	678,227	-	-	678,227
<b>Profit before taxation</b>	<b>289,649</b>	<b>690,576</b>	<b>36,156</b>		<b>1,055,097</b>
Taxation	(60,301)	(12,613)	(2,588)	-	(75,502)
<b>Net profit</b>	<b>229,348</b>	<b>677,963</b>	<b>33,568</b>	<b>-</b>	<b>979,595</b>
	5,655,635	2,303,965	262,482	(491,514)	7,730,568
Associates and joint venture companies	-	9,011,540	170,919	-	9,182,459
<b>Total assets</b>	<b>5,655,635</b>	<b>11,315,505</b>	<b>433,401</b>	<b>(491,514)</b>	<b>16,913,027</b>
Segment liabilities	1,210,827	219,574	351,451	(491,514)	1,290,338

June 30, 2011

	<b>Property Management &amp; Rental \$'000</b>	<b>Investments \$'000</b>	<b>Other Service \$'000</b>	<b>Eliminations \$'000</b>	<b>Total \$'000</b>
<b>REVENUE</b>					
External	724,162	109,603	25,118	-	858,883
Inter-segment	4,508	62,840	-	(67,348)	-
<b>Total revenue</b>	<b>728,670</b>	<b>172,443</b>	<b>25,118</b>	<b>(67,348)</b>	<b>858,883</b>
Segment results	326,160	66,591	17,232	-	409,983
Interest expense	(70,845)	(38,081)	-	58,715	(50,211)
	255,315	28,510	17,232		359,772
Share of results of associated and joint venture companies	-	651,199	-	-	651,199
<b>Profit before taxation</b>	<b>255,315</b>	<b>679,709</b>	<b>17,232</b>		<b>1,010,971</b>
Taxation	(49,083)	(29,727)	(600)	-	(79,410)
<b>Net profit</b>	<b>206,232</b>	<b>649,982</b>	<b>16,632</b>	<b>-</b>	<b>931,561</b>
Segment assets	5,538,666	2,785,458	309,659	(444,538)	8,189,245
Associates and joint venture companies	-	7,891,731	-	-	7,891,731
<b>Total assets</b>	<b>5,538,666</b>	<b>10,677,189</b>	<b>309,659</b>	<b>(444,538)</b>	<b>16,080,976</b>
Segment liabilities	1,066,264	1,134,295	276,658	(444,538)	2,032,679

## **NOTE**

### **Basis of Consolidation**

The Financial Statements have been prepared in accordance with the accounting policies as disclosed in the audited financial statements for the year ended 31 December 2011.