

PAN-JAMAICAN INVESTMENT TRUST  
LIMITED



**Report to Stockholders**  
For the 3 months ended 31 March 2013

# **Pan-Jamaican Investment Trust Limited**

## **Interim Report to Stockholders**

**For the 3 months ended March 31, 2013**

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of Pan-Jamaican Investment Trust Limited for the quarter ended March 31, 2013.

### Overview

Our results for the quarter were significantly affected by the full participation by our associated company, Sagicor Life Jamaica Limited (SLJ) and its subsidiary, Sagicor Investments Jamaica Limited, in the Government of Jamaica (GOJ)'s National Debt Exchange (NDX) in February 2013. SLJ recorded a realised loss on the exchange of bonds tendered in the NDX of \$1.1 billion. While painful for us as well as all of SLJ's shareholders, SLJ had our wholehearted support for full participation in the NDX, which we view as a crucial first step on the path towards national prosperity and growth.

### Highlights

The first quarter's highlights are:

- Net profit attributable to owners of \$224 million (2012: \$502 million)
- Return (annualised) on opening equity of 5% (2012: 14%)
- Earnings per stock unit of \$1.05 (2012: \$2.36)
- Book value per stock unit of \$77.66 at March 31, 2013 (December 31, 2012: \$76.57)
- Ordinary dividend of \$1.10 per stock unit declared and paid March, 2013 (March, 2012: \$0.50)

### Income Statement

Net profit attributable to owners for the quarter ended March 31, 2013 amounted to \$224 million, compared to \$502 million in the 2012 1st quarter, a decrease of 55%, while earnings per stock unit were \$1.05 compared to \$2.36 for the same period in 2012.

Performance for the quarter was impacted most notably by an increase in finance costs of \$179 million and a decrease of \$136 million in our share of results of associated and joint venture companies, partly offset by increased investment income of \$67 million.

Group operating profit for the 1<sup>st</sup> quarter increased by \$50 million compared to last year's 1<sup>st</sup> quarter, driven largely by an increase in investment income of \$67 million, principally resulting from foreign exchange gains on our US\$ investments. Property income was flat year on year, as a \$10 million improvement in rental income was offset by reduced net lease recoveries and property appreciation. Operating expenses increased

13%, \$28 million, driven principally by a 27% increase in general and administrative costs as a result of staff realignment and increased professional fees.

Finance costs increased by \$179 million to \$195 million for the quarter, resulting from increased debt used to fund the purchase of an additional 8% of SLJ's shares in July, 2012 and the drawdown of the remainder of the US\$17.5 million IFC loan in December, 2012. We have, however, retained a net long position in US\$ to ensure that our stockholders' equity is appropriately protected against devaluation risk.

Our property segment, which is comprised principally of Jamaica Property Company, enjoyed overall occupancy levels exceeding 95% for the 1<sup>st</sup> quarter, a slight decline compared to last year, while segment operating profit of \$184 million for the quarter was \$26 million, 16%, better than last year.

Our investment management segment posted operating profit of \$28 million for the quarter, more than double last year's 1<sup>st</sup> quarter segment operating profit of \$12 million. Net unrealised gains in our portfolio of available for sale securities, which are accounted for through comprehensive income and stockholders' equity, amounted to \$58 million for the quarter compared to \$18 million last year.

#### Associated and Joint Venture Companies

The results of associated companies consist principally of our 32.8% investment in SLJ. We also hold minority positions in New Castle Co. Limited (owners of the Walkerswood and Busha Browne lines of sauces and seasonings), Mavis Bank Coffee Factory Limited ("Mavis Bank"), Hardware & Lumber Limited ("H&L"), Caribe Hospitality Limited (developers of the planned New Kingston Marriott Courtyard hotel) and Chukka Caribbean Adventures ("Chukka") acquired in April 2012.

Our share of results of associated and joint venture companies for the quarter decreased by \$136 million compared to the 2012 1<sup>st</sup> quarter amount of \$373 million. Our share of earnings from our 32.8% investment in SLJ decreased by \$175 million (47%) to \$194 million. SLJ's results were severely affected by their participation in the NDX. SLJ's net profit attributable to shareholders for the quarter was \$620 million compared to \$1.5 billion in the 1<sup>st</sup> quarter of 2012. Despite the realised loss on the exchange of bonds tendered in the NDX of \$1.1 billion, SLJ's results benefited from good new business across all lines. SLJ's subsidiary Sagicor Investments Jamaica Limited posted a small profit for the quarter as their NDX participation essentially erased all of their operating earnings. SLJ and its Jamaican subsidiaries remain strongly capitalised and we are confident that their earnings will rebound in the remainder of 2013.

H&L reported net earnings of \$9.9 million for the 1<sup>st</sup> quarter, compared to \$3.9 million for the same period last year, continuing their impressive turnaround. Revenue and gross margin both increased compared to last year, despite adverse conditions affecting the Agricultural segment. Additionally, solid results from Chukka and Mavis Bank partially offset the reduced SLJ results.

### Balance Sheet

Total assets at March 31, 2013 amounted to \$21.7 billion, compared to \$21.4 billion at December 31, 2012. Stockholders' equity increased to \$16.5 billion (December 31 2012: \$16.3 billion), which equates to a book value per stock unit of \$77.66 as at March 31, 2013 (December 31, 2012: \$76.57).

### Outlook

With the consummation of the National Debt Exchange and the long-awaited announcement of IMF approval, Jamaica is now faced with executing meaningful change to its fiscal structure, including addressing the role, cost and efficiency of the public sector, and implementing comprehensive tax reform. These are the first steps towards reducing the national debt and creating a platform for real economic growth.

The Government and the Private Sector must now work together to create and execute a national growth agenda. Now is the time for bold, decisive action and teamwork, coupled with discipline and determination. Pan Jam remains committed to planned investments in a variety of sectors of the Jamaican economy and looks forward with great interest to the timely execution of the Government's commitments to the IMF.



Stephen B. Facey  
Chairman



Paul A. B. Facey  
Director

**Pan-Jamaican Investment Trust Limited**  
**and its subsidiaries**  
**Unaudited Consolidated Income Statement**  
**Three months ended 31 March 2013**

	<b>3 Months to Mar-13 \$'000</b>	<b>Restated 3 Months to Mar-12 \$'000</b>
<b>Income</b>		
Investments	100,440	33,108
Property	340,206	339,479
Commissions	11,515	10,758
Other	23,737	13,832
	<u>475,898</u>	<u>397,177</u>
Operating expenses	<u>(244,799)</u>	<u>(216,558)</u>
<b>Operating profit</b>	231,099	180,619
Finance costs	<u>(194,717)</u>	<u>(15,775)</u>
	36,382	164,844
Share of results of associated companies and joint venture	<u>236,918</u>	<u>373,152</u>
<b>Profit before taxation</b>	273,300	537,996
Taxation	<u>(34,699)</u>	<u>(31,397)</u>
<b>Net profit</b>	<u>238,601</u>	<u>506,599</u>
<b>Net profit attributable to:</b>		
Owners of the parent	224,030	502,079
Non-controlling interest	14,571	4,520
	<u>238,601</u>	<u>506,599</u>
<b>Earnings per stock unit attributable to owners of the parent for the period</b>	\$1.05	\$2.36

**Pan-Jamaican Investment Trust Limited**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Comprehensive Income**  
**Three months ended 31 March 2013**

	<b>3 Months to Mar-13 \$'000</b>	<b>3 Months to Mar-12 \$'000</b>	<b>Restated Year ended Dec-12 \$'000</b>
Net profit for the period	238,601	506,599	2,107,339
<b>Other comprehensive income:</b>			
Unrealised gains on available-for-sale financial assets, net of tax	58,291	18,137	8,123
Gains/(losses) recycled to profit and loss on disposal and maturity of investment assets	(89)	216	(80,524)
	<u>58,202</u>	<u>18,353</u>	<u>(72,401)</u>
Exchange differences on translating foreign operations	26,967	245	11,761
Remeasurement of defined benefit obligation	-	-	(40,438)
Share of other comprehensive income of associates	<u>150,095</u>	<u>105,373</u>	<u>157,508</u>
Other comprehensive income for the period, net of tax	<u>235,264</u>	<u>123,971</u>	<u>56,430</u>
Total comprehensive income for the period	<u>473,865</u>	<u>630,570</u>	<u>2,163,769</u>
<b>Total comprehensive income attributable to</b>			
Owners of the parent	459,333	626,086	2,138,129
Non-controlling interest	<u>14,532</u>	<u>4,484</u>	<u>25,640</u>
	<u>473,865</u>	<u>630,570</u>	<u>2,163,769</u>

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Financial Position**  
**as at 31 March 2013**

	Unaudited March 2013 \$'000	Restated December 2012 \$'000	Restated March 2012 \$'000
<b>ASSETS</b>			
<b>Cash and Bank Balances</b>	4,190	41,721	14,167
<b>Investments</b>			
Short term deposits	517,819	798,827	102,402
Securities			
Financial assets at fair value through profit and loss	342,076	112,057	295,531
Available-for-sale	1,445,155	810,573	1,175,007
Loans & receivables	141,076	141,563	145,121
Deposits	104,676	97,265	88,372
Securities purchased under agreements to resell	233,565	862,757	596,795
Investment properties	4,421,668	4,366,940	4,259,055
Investment in joint venture	200,342	199,920	149,140
Investment in associated companies	<u>13,060,135</u>	<u>12,922,232</u>	<u>8,683,511</u>
	<u>20,466,512</u>	<u>20,312,134</u>	<u>15,494,934</u>
<b>Other assets</b>			
Taxation recoverable	68,358	68,681	66,977
Deferred tax assets	5,262	336	107
Development in progress projects	623,823	380,683	135,366
Receivables and other assets	141,502	232,588	206,793
Property, plant and equipment	358,296	354,695	370,288
Retirement benefit assets	<u>41,593</u>	<u>41,593</u>	<u>28,152</u>
	<u>1,238,834</u>	<u>1,078,576</u>	<u>807,683</u>
	<u>21,709,536</u>	<u>21,432,431</u>	<u>16,316,784</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	2,141,985
Property revaluation reserve	2,727,997	2,675,311	2,576,391
Investment and other reserves	3,856,540	3,621,237	3,605,084
Retained earnings	7,824,679	7,887,547	6,777,751
Treasury stock	<u>(25,377)</u>	<u>(9,899)</u>	<u>(9,090)</u>
	16,525,824	16,316,181	15,092,121
<b>Non-controlling interest</b>	<u>244,791</u>	<u>230,259</u>	<u>211,452</u>
	<u>16,770,615</u>	<u>16,546,440</u>	<u>15,303,573</u>
<b>Liabilities</b>			
Bank overdraft	16,719	-	19,281
Taxation payable	61,944	119,536	17,531
Due to related party	-	-	5,225
Bank and other loans	4,367,222	4,212,726	498,326
Finance lease liability	12,181	13,799	11,751
Deferred tax liability	110,325	99,143	161,732
Retirement benefit liabilities	204,266	196,766	146,169
Payables and other liabilities	<u>166,264</u>	<u>244,021</u>	<u>153,196</u>
Total liabilities	<u>4,938,921</u>	<u>4,885,991</u>	<u>1,013,211</u>
	<u>21,709,536</u>	<u>21,432,431</u>	<u>16,316,784</u>



Stephen B. Facey

Chairman



Paul A. B. Facey

Director

**Pan-Jamaican Investment Trust Limited**  
**Unaudited Consolidated Statement of Changes in Equity**  
**for the period ended 31 March 2013**

**Restated**  
**31-Mar-12**

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

	Share Capital \$'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 2012, as previously reported	2,141,985	2,518,691	3,481,077	6,503,785	(9,090)	206,968	14,843,416
Remeasurement of defined benefit obligation	-	-	-	(63,862)	-	-	(63,862)
Balance as at 1 January 2012, as restated	2,141,985	2,518,691	3,481,077	6,439,923	(9,090)	206,968	14,779,554
Total comprehensive income for the period	-	-	124,007	502,079	-	4,484	630,570
Dividends paid	-	-	-	(106,551)	-	-	(106,551)
Property revaluation gains	-	57,700	-	(57,700)	-	-	-
Balance at end of period	2,141,985	2,576,391	3,605,084	6,777,751	(9,090)	211,452	15,303,573

**31-Mar-13**

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

	Share Capital \$'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 2013, as previously reported	2,141,985	2,675,311	3,621,237	7,991,847	(9,899)	230,259	16,650,740
Remeasurement of defined benefit obligation	-	-	-	(104,300)	-	-	(104,300)
Balance as at 1 January 2013, as restated	2,141,985	2,675,311	3,621,237	7,887,547	(9,899)	230,259	16,546,440
Total comprehensive income for the period	-	-	235,303	224,030	-	14,532	473,865
Dividends paid	-	-	-	(234,212)	-	-	(234,212)
Property revaluation gains	-	52,686	-	(52,686)	-	-	-
Treasury Stocks	-	-	-	-	(15,478)	-	(15,478)
Balance at end of period	2,141,985	2,727,997	3,856,540	7,824,679	(25,377)	244,791	16,770,615

**Restated**  
**31-Dec-12**

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

	Share Capital \$'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 2012, as previously reported	2,141,985	2,518,691	3,481,077	6,503,785	(9,090)	206,968	14,843,416
Remeasurement of defined benefit obligation	-	-	-	(63,862)	-	-	(63,862)
Balance as at 1 January 2012, as restated	2,141,985	2,518,691	3,481,077	6,439,923	(9,090)	206,968	14,779,554
Net profit	-	-	97,016	2,081,551	-	25,788	2,107,339
Other comprehensive income	-	-	97,016	(40,438)	-	(148)	56,430
Total comprehensive income for the year	-	-	97,016	2,041,113	-	25,640	2,163,769
Dividends paid	-	-	-	(436,869)	-	(24,000)	(460,869)
Dilution of shareholding in subsidiary	-	-	43,144	-	-	21,651	64,795
Acquisition of treasury stock	-	-	-	-	(809)	-	(809)
Property revaluation gains	-	156,620	-	(156,620)	-	-	-
Balance at 31 December 2012	2,141,985	2,675,311	3,621,237	7,887,547	(9,899)	230,259	16,546,440

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Cash Flows**  
**Three months ended 30 March 2013**

	<b>3-Months to March 2013 \$'000</b>	<b>3-Months to March 2012 \$'000</b>
Net profit	238,601	506,599
<b>Items not affecting cash</b>		
Share of results of associated and joint venture companies	(236,918)	(373,152)
Fair value gains on investment properties	(54,610)	(57,700)
Gains on foreign currency denominated investments, net	32,920	(4,943)
Other	113,716	39,602
	<u>93,709</u>	<u>110,406</u>
<b>Changes in operating assets and liabilities</b>		
Other assets	84,103	(12,858)
Other liabilities	(77,757)	(77,558)
	<u>100,055</u>	<u>19,990</u>
Interest received	30,098	34,586
Income tax paid	(86,035)	(61,591)
<b>Net cash provided by/(used in) operations</b>	<u>44,118</u>	<u>(7,015)</u>
<b>Cash flows from investing activities</b>		
Acquisition of investment securities, net	(721,380)	174,189
Other investment activities	(232,698)	(90,974)
Acquisition of treasury stocks	(15,478)	-
Dividends received from associated companies	237,083	-
<b>Net cash (used in)/provided by investing activities</b>	<u>(732,473)</u>	<u>83,215</u>
<b>Cash flows from financing activities</b>		
Dividend paid to company stockholders	(234,212)	(106,551)
Loan received	281,974	-
Loan repaid	(183,011)	(29,852)
Interest paid	(137,831)	(19,227)
Other financing activities	(1,618)	(665)
<b>Net cash used in financing activities</b>	<u>(274,698)</u>	<u>(156,295)</u>
Net decrease in cash and cash equivalents	(963,053)	(80,095)
Cash & cash equivalents at beginning of the period	1,701,908	774,178
Cash & cash equivalents at end of the period	<u>738,855</u>	<u>694,083</u>
<b>Comprising of:</b>		
Cash at bank and in hand	4,190	14,167
Short term deposits	517,819	102,402
Securities purchased under agreement to resell	233,565	596,795
Overdraft	(16,719)	(19,281)
	<u>738,855</u>	<u>694,083</u>

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

March 31, 2013

	Property Management & Rental \$'000	Investments \$'000	Other Services \$'000	Eliminations \$'000	Total \$'000
<b>REVENUE</b>					
External	387,176	66,429	22,293	-	475,898
Inter-segment	281	28,773	-	(29,054)	-
	<u>387,457</u>	<u>95,202</u>	<u>22,293</u>	<u>(29,054)</u>	<u>475,898</u>
Total revenue					
Segment results	184,120	27,841	17,263	-	229,224
Interest expense	(65,431)	(147,412)	(200)	20,201	(192,842)
	<u>118,689</u>	<u>(119,571)</u>	<u>17,063</u>	<u>20,201</u>	<u>36,382</u>
Share of results of associated and joint venture companies	-	236,918	-	-	236,918
<b>Profit before taxation</b>	<u>118,689</u>	<u>117,347</u>	<u>17,063</u>	<u>20,201</u>	<u>273,300</u>
Taxation	(31,991)	(940)	(1,768)		(34,699)
<b>Net profit</b>	<u>86,698</u>	<u>116,407</u>	<u>15,295</u>	<u>20,201</u>	<u>238,601</u>
Segment assets	5,882,204	2,765,983	128,918	(328,046)	8,449,059
Associates and joint venture companies	-	13,060,135	200,342	-	13,260,477
Total assets	<u>5,882,204</u>	<u>15,826,118</u>	<u>329,260</u>	<u>(328,046)</u>	<u>21,709,536</u>
Segment liabilities	<u>1,324,463</u>	<u>3,908,132</u>	<u>34,372</u>	<u>(328,046)</u>	<u>4,938,921</u>

Restated  
March 30, 2012

	Property Management & Rental \$'000	Investments \$'000	Other Services \$'000	Eliminations \$'000	Total \$'000
<b>REVENUE</b>					
External	363,721	18,481	14,975		397,177
Inter-segment	202	28,261	-	(28,463)	-
	<u>363,923</u>	<u>46,742</u>	<u>14,975</u>	<u>(28,463)</u>	<u>397,177</u>
Total revenue					
Segment results	158,609	11,788	10,222		180,619
Interest expense	(32,290)	(1,673)		18,188	(15,775)
	<u>126,319</u>	<u>10,115</u>	<u>10,222</u>	<u>18,188</u>	<u>164,844</u>
Share of results of associated and joint venture companies	-	373,152	-		373,152
<b>Profit before taxation</b>	<u>126,319</u>	<u>383,267</u>	<u>10,222</u>	<u>18,188</u>	<u>537,996</u>
Taxation	(29,268)	(1,702)	(427)		(31,397)
<b>Net profit</b>	<u>97,051</u>	<u>381,565</u>	<u>9,795</u>	<u>18,188</u>	<u>506,599</u>
Segment assets	5,452,494	2,443,652	204,858	(616,871)	7,484,133
Associates and joint venture companies	-	8,683,511	149,140		8,832,651
Total assets	<u>5,452,494</u>	<u>11,127,163</u>	<u>353,998</u>	<u>(616,871)</u>	<u>16,316,784</u>
Segment liabilities	<u>1,154,395</u>	<u>165,734</u>	<u>309,953</u>	<u>(616,871)</u>	<u>1,013,211</u>

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**

**Notes to the Unaudited Consolidated Financial Statements**

**31 March 2013**

1. Basis of preparation

The unaudited consolidated financial statements have been prepared in accordance with the accounting policies as outlined in note 2 of the 31 December 2012 audited financial statements. Certain comparative numbers has been restated to conform with the current year presentation and due to the adoption of IAS19 (amendment), Employee Benefits.

2. IAS 19 (amendment) Employee Benefits

The Group adopted IAS 19 (amendment), Employee Benefits, effective, 1 January 2013. The amended standard has been applied retrospectively, resulting in the restatement of the prior year financial statements along with the opening statement of financial position for that year.

Retained Earnings have been reduced as at 1 January 2012, by \$63,862,000 and as at 1 January 2013 by \$104,300,000. The amendment:

- Eliminates the corridor approach;
- Recognises all actuarial gains and losses in Other Comprehensive Income as they occur;
- Recognises all past service costs immediately;
- Replaces interest cost and expected return on plan assets with a net interest amount calculated by applying the discount rate to the net defined benefit liability or asset.