

PAN-JAMAICAN INVESTMENT TRUST LIMITED



# **Financial Statements**

**Six months ended 30 June 2014**

# **Pan-Jamaican Investment Trust Limited**

## **Interim Report to Stockholders**

**For the 6 months ended June 30, 2014**

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, 2014.

### Overview

Net profit attributable to owners for the six months ended June 30, 2014 is 50% greater than last year, which was significantly affected by the full participation by our associated company Sagicor Group Jamaica Limited (Sagicor) in the National Debt Exchange (NDX) in the 1<sup>st</sup> quarter of 2013. Our property operations showed resilience in a challenging economy while all aspects of our investment activities outperformed last year by a healthy margin.

### Highlights

- Net profit attributable to owners of \$627 million (2013: \$486 million) for the quarter and \$1,068 million (2013: \$710 million) for the six months
- Return (annualised) on opening equity of 12% (2013: 9%)
- Basic earnings per stock unit of \$2.99 (2013: \$2.28) for the quarter and \$5.09 (2013: \$3.34) for the six months
- Book value per stock unit of \$92.34 at June 30, 2014 (December 31, 2013: \$84.95)
- Ordinary dividends of \$1.20 per stock unit declared and paid through June 30, 2014 (2013: \$1.10)

### Income Statement

Net profit attributable to owners for the quarter ended June 30, 2014 amounted to \$627 million, compared to \$486 million in the 2013 2<sup>nd</sup> quarter, an increase of 29%, equivalent to basic earnings per stock unit of \$2.99 compared to \$2.28 for the same period in 2013. Net profit attributable to owners for the six months ended June 30, 2014 amounted to \$1,068 million, compared to \$710 million for 2013, an increase of 50%, equivalent to basic earnings per stock unit of \$5.09 compared to \$3.34 for the same period in 2013.

Investment income of \$123 million in the second quarter of 2014 was nearly three times higher than last year’s comparable quarter income of \$44 million, principally as a result of better foreign exchange gains of \$42 million, versus \$23 million last year, and trading gains of \$37 million, versus a loss of \$21 million last year. Year to date investment income of \$259 million is 79% ahead of last year due principally to trading gains of \$89 million versus a loss of \$29 million last year. Property income was up \$54 million, or 16%, compared to last year for the quarter and up \$83 million, or 12%, year to date, driven by stable occupancy levels and continuing modest growth in rental income.

Group operating profit for the 2<sup>nd</sup> quarter increased by \$115 million, or 73%, compared to last year’s 2<sup>nd</sup> quarter. For the year to date, group operating profit of \$544 million is \$157 million, or 40%, more than last year’s level. Total revenue was higher for the quarter compared to last year by \$125 million, or 30%, attributable to the improved investment and property income, and ahead of last year for the 6 months by \$185 million, or 21%. Operating expenses were contained to an

increase of \$10 million for the quarter and \$29 million for the 6 months, driven by a reduction in administrative costs compared to last year.

Finance costs declined compared to last year by \$6 million to \$131 million for the quarter, and by \$57 million to \$274 million for the 6 months, resulting from reduced foreign exchange losses on our US\$-denominated IFC loan as a result of both lower devaluation and a lower average principal balance outstanding for the period compared to 2013. We retain a positive position in US\$ to ensure that our stockholders' equity is appropriately protected against devaluation risk.

Our property segment enjoyed overall occupancy levels exceeding 97% for the 2<sup>nd</sup> quarter, a slight improvement over last year, while contribution to group operating profit of \$195 million for the quarter (\$376 million year-to-date) was \$39 million (\$34 million year-to-date) higher than last year, attributable to improved rental income.

Our investment management segment posted operating profit of \$59 million for the quarter, compared to last year's 2<sup>nd</sup> quarter loss of \$18 million, driven by better results from securities trading. Year-to-date segment operating profit of \$136 million compares to last year's \$10 million, again driven by gains on trading securities.

#### Associated Companies

The results of associated companies consist principally of our 31.6% investment in Sagicor (the effect of the Sagicor Group acquisition in March 2014 of the former Sagicor Investments Limited minority interest was to reduce our proportionate share in the overall group by 1.2%). We also hold minority positions in New Castle Co. Limited ("New Castle") (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").

Our total share of results of associated and joint venture companies for the quarter of \$537 million was flat compared to last year, while our six month period share increased by 16% to \$893 million, as last year's results were significantly affected by the 1<sup>st</sup> quarter NDX impact on Sagicor.

Our share of results of Sagicor increased by \$25 million (or 5%) for the quarter and by \$180 million (or 26%) for the half year. Sagicor's 2<sup>nd</sup> quarter results, net profit of \$1.6 billion, were nearly 50% better than the 1<sup>st</sup> quarter although only 4% better than last year's 2<sup>nd</sup> quarter. Year to date performance is 24% ahead of last year's level of profitability, and we remain encouraged by top line growth in premium income, favourable benefits experience and careful expense management. Sagicor's first half dividend of 35 cents per share was 84% better than last year, and the group continues to demonstrate resilience in its recovery from the effect of the NDX.

The Bank of Jamaica gave approval at the end of June 2014 for the acquisition by Sagicor of Royal Bank of Canada's Jamaican banking group, signalling a fundamental change in the size and scale of Sagicor's banking operations. We are confident that the group will absorb this acquisition successfully and that the bank will become an increasingly important growth engine.

H&L reported a profit of \$29 million for the 2<sup>nd</sup> quarter, compared to \$43 million for the same period last year, bringing their year-to-date profit of \$69 million compared to \$53 million a year ago. While 2<sup>nd</sup> quarter revenues were slightly lower compared to last year, and gross margins reduced, focus on operating efficiencies, overhead spend and finance costs have all helped improve profitability for the half year.

New Castle's results for their six month period ended April 30 2014 increased 24% compared to last year. Mavis Bank's results, while modestly profitable, were hurt by a significant reduction in crop size compared to last year. Continued weak results from Chukka, principally cost-related, combined with the reduction in coffee profitability to more than offset the improved returns from our investments in H&L and New Castle.

Balance Sheet

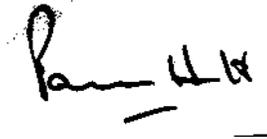
Total assets at June 30, 2014 amounted to \$25.1 billion, compared to \$23.3 billion at December 31, 2013. Stockholders' equity increased to \$19.4 billion (December 31 2013: \$17.8 billion), which equates to a book value per stock unit of \$92.34 as at June 30, 2014 (December 31, 2013: \$84.95).

Outlook

We are concerned with the slow progress of the development of new energy capacity for the country, the successful implementation of which has the potential to have a significant positive effect on the economy. We remain very encouraged, however, by the GOJ's progress against the IMF targets and the determination and spirit demonstrated to achieve them. The visit by the Managing Director of the IMF, Christine Lagarde, would not have occurred without such progress, and we note with interest the very positive comments she made regarding the establishment, function, efforts and communications of the Economic Programme Oversight Committee (EPOC), suggesting that this might be a model for other countries to follow.



Stephen B. Facey  
President & CEO



Paul Hanworth  
COO

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**and its subsidiaries**  
**Unaudited Consolidated Income Statement**  
**Six months ended 30 June 2014**

	<b>3 Months to Jun-14 \$'000</b>	<b>3 Months to Jun-13 \$'000</b>	<b>YTD Jun-14 \$'000</b>	<b>YTD Jun-13 \$'000</b>
<b>Income</b>				
Investments	123,405	44,087	258,531	144,527
Property	388,844	334,540	757,821	674,746
Commissions	14,640	13,118	28,963	24,633
Other	17,265	27,666	35,475	51,403
	544,154	419,411	1,080,790	895,309
Operating expenses	(272,799)	(262,856)	(536,423)	(507,655)
<b>Operating profit</b>	271,355	156,555	544,367	387,654
Finance costs	(130,872)	(136,773)	(274,127)	(331,490)
	140,483	19,782	270,240	56,164
Share of results of associated companies and joint venture	536,927	531,968	892,805	768,886
<b>Profit before taxation</b>	677,410	551,750	1,163,045	825,050
Taxation	(36,427)	(54,472)	(77,650)	(89,171)
<b>Net profit</b>	640,983	497,278	1,085,395	735,879
<b>Net profit attributable to:</b>				
Owners of the parent	627,125	485,974	1,068,255	710,004
Non-controlling interest	13,858	11,304	17,140	25,875
	640,983	497,278	1,085,395	735,879
<b>Earnings per stock unit attributable to owners of the parent for the period</b>	<b>\$2.99</b>	<b>\$2.28</b>	<b>\$5.09</b>	<b>\$3.34</b>

**Pan-Jamaican Investment Trust Limited**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Comprehensive Income**  
**Six months ended 30 June 2014**

	3 Months to Jun-14 \$'000	3 Months to Jun-13 \$'000	YTD Jun-14 \$'000	YTD Jun-13 \$'000
Net profit for the period	640,983	497,278	1,085,395	735,879
<b>Other comprehensive income:</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Loss on dilution of shareholding in associated company	(27,758)	-	(27,758)	-
<i>Items that may be subsequently reclassified to profit or loss</i>				
Unrealised gains/(losses) on available-for-sale financial assets, net of tax	45,263	(34,742)	61,417	23,549
Gains recycled to profit and loss on disposal and maturity of investment assets	-	-	(44,963)	(89)
	45,263	(34,742)	16,454	23,460
Exchange differences on translating foreign operations	(17,681)	10,452	(17,518)	37,419
Share of other comprehensive income of associates	502,552	(425,590)	750,268	(275,495)
<b>Other comprehensive income for the period, net of tax</b>	530,134	(449,880)	749,204	(214,616)
<b>Total comprehensive income for the period</b>	1,143,359	47,398	1,806,841	521,263
<b>Total comprehensive income attributable to</b>				
Owners of the parent	1,129,501	36,149	1,789,704	495,482
Non-controlling interest	13,858	11,249	17,137	25,781
	1,143,359	47,398	1,806,841	521,263

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Financial Position**  
**as at 30 June 2014**

	Unaudited June 2014 \$'000	Audited December 2013 \$'000	Restated Unaudited June 2013 \$'000
<b>ASSETS</b>			
<b>Cash and Bank Balances</b>	28,733	30,865	32,526
<b>Investments</b>			
Short term deposits	57,559	139,885	337,147
Securities			
Financial assets at fair value through profit and loss	563,306	609,282	397,292
Available-for-sale	1,672,027	1,685,215	1,564,935
Loans & receivables	246,578	237,451	263,412
Deposits	119,750	-	104,485
Securities purchased under agreements to resell	338,579	252,209	196,304
Investment properties	4,756,014	4,638,669	4,460,055
Investment in joint venture	82,588	76,481	91,432
Investment in associated companies	15,543,346	14,229,464	13,226,889
	23,379,747	21,868,656	20,641,951
<b>Other assets</b>			
Taxation recoverable	76,658	69,904	67,917
Deferred tax assets	17,497	17,497	3,963
Development in progress projects	709,044	701,788	696,280
Receivables and other assets	483,656	282,768	341,375
Property, plant and equipment	363,869	338,843	359,918
Retirement benefit assets	-	-	41,593
	1,650,724	1,410,800	1,511,046
	25,059,204	23,310,321	22,185,523
<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
Equity compensation reserve	14,704	11,359	-
Property revaluation reserve	3,010,496	2,922,892	2,759,683
Investment and other reserves	3,929,942	3,210,700	3,439,120
Retained earnings	10,447,140	9,717,955	8,360,352
Treasury stock	(174,933)	(164,325)	(26,179)
	19,369,334	17,840,566	16,674,961
<b>Non-controlling interest</b>	275,084	257,947	250,908
	19,644,418	18,098,513	16,925,869
<b>Liabilities</b>			
Bank overdraft	14,232	4,606	11,267
Taxation payable	86,006	85,010	66,024
Bank and other loans	4,476,295	4,532,356	4,561,716
Finance lease liability	15,106	14,528	15,521
Deferred tax liability	44,500	31,547	110,168
Retirement benefit liabilities	262,981	259,187	174,258
Payables and other liabilities	515,666	284,574	320,700
Total liabilities	5,414,786	5,211,808	5,259,654
	25,059,204	23,310,321	22,185,523



Stephen B. Facey

Director



Paul A. B. Facey

Director

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**Unaudited Consolidated Statement of Changes in Equity**  
**for the period ended 30 June 2014**

**30-Jun-13**

-----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 2013, as restated	2,141,985	-	2,675,311	3,648,510	7,968,949	(9,899)	230,259	16,655,115
Total comprehensive income for the period	-	-	-	(214,522)	710,004	-	25,781	521,263
Dividends paid	-	-	-	-	(234,229)	-	-	(234,229)
Liquidation of subsidiary	-	-	-	5,132	-	-	(5,132)	-
Acquisition of treasury stocks	-	-	-	-	-	(16,280)	-	(16,280)
Property revaluation gains	-	-	84,372	-	(84,372)	-	-	-
Balance at end of period	2,141,985	-	2,759,683	3,439,120	8,360,352	(26,179)	250,908	16,925,869

**30-Jun-14**

-----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 2014	2,141,985	11,359	2,922,892	3,210,700	9,717,955	(164,325)	257,947	18,098,513
Total comprehensive income for the period	-	-	-	721,449	1,068,255	-	17,137	1,806,841
Dividends paid	-	-	-	-	(251,466)	-	-	(251,466)
Employee share option scheme value of services provided	-	8,350	-	-	-	-	-	8,350
Employee share grants vested	-	(5,005)	-	(2,207)	-	7,212	-	-
Acquisition of treasury stocks	-	-	-	-	-	(17,820)	-	(17,820)
Property revaluation gains	-	-	87,604	-	(87,604)	-	-	-
Balance at end of period	2,141,985	14,704	3,010,496	3,929,942	10,447,140	(174,933)	275,084	19,644,418

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**  
**and its subsidiaries**  
**Unaudited Consolidated Statement of Cash Flows**  
**Six months ended 30 June 2014**

	<b>6-Months to June 2014 \$'000</b>	<b>6-Months to June 2013 \$'000</b>
Net profit	1,085,395	735,879
<b>Items not affecting cash</b>		
Share of results of associated and joint venture companies	(892,805)	(768,886)
Fair value gains on investment properties	(91,606)	(88,220)
Foreign currency loss, net	7,673	54,610
Other	188,081	280,200
	<u>296,738</u>	<u>213,583</u>
<b>Changes in operating assets and liabilities</b>		
Other assets	(200,888)	(107,573)
Other liabilities	231,636	76,679
	<u>327,486</u>	<u>182,689</u>
Interest received	41,300	59,320
Income tax paid	(61,639)	(135,285)
<b>Net cash provided by operations</b>	<u>307,147</u>	<u>106,724</u>
<b>Cash flows from investing activities</b>		
Disposal/(Acquisition) of investment securities, net	60,013	(928,658)
Additional investment in associated company	(143,729)	-
Other investment activities	(71,310)	(339,456)
Acquisition of treasury stock	(17,820)	(16,280)
Dividends received from associated company	439,055	244,910
<b>Net cash provided by/(used in) investing activities</b>	<u>266,209</u>	<u>(1,039,484)</u>
<b>Cash flows from financing activities</b>		
Dividends paid to company stockholders	(251,466)	(234,229)
Loan received	45,370	359,934
Loan repayed	(196,727)	(197,355)
Interest paid	(177,071)	(145,079)
Other financing activities	579	1,722
<b>Net cash used in financing activities</b>	<u>(579,315)</u>	<u>(215,007)</u>
Net decrease in cash and cash equivalents	(5,959)	(1,147,767)
Cash & cash equivalents at beginning of the period	<u>416,598</u>	<u>1,701,908</u>
Cash & cash equivalents at end of the period	<u><u>410,639</u></u>	<u><u>554,141</u></u>
<b>Comprising of:</b>		
Cash at bank and in hand	28,733	32,526
Short term deposits	57,559	337,147
Securities purchased under agreement to resell	338,579	195,735
Overdraft	(14,232)	(11,267)
	<u><u>410,639</u></u>	<u><u>554,141</u></u>

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

June 30, 2014

	Property Management & Rental \$'000	Investments \$'000	Other Services \$'000	Eliminations \$'000	Total \$'000
<b>REVENUE</b>					
External	826,307	212,678	41,805	-	1,080,790
Inter-segment	1,512	55,356	872	(57,740)	-
<b>Total revenue</b>	<b>827,819</b>	<b>268,034</b>	<b>42,677</b>	<b>(57,740)</b>	<b>1,080,790</b>
Segment results	376,144	136,294	31,929	-	544,367
Interest expense	(88,781)	(225,036)	-	39,690	(274,127)
	287,363	(88,742)	31,929	39,690	270,240
Share of results of associated and joint venture companies	-	892,805	-	-	892,805
<b>Profit before taxation</b>	<b>287,363</b>	<b>804,063</b>	<b>31,929</b>	<b>39,690</b>	<b>1,163,045</b>
Taxation	(55,045)	(19,671)	(2,934)	-	(77,650)
<b>Net profit</b>	<b>232,318</b>	<b>784,392</b>	<b>28,995</b>	<b>39,690</b>	<b>1,085,395</b>
	6,472,741	2,740,014	544,750	(324,235)	9,433,270
Associates and joint venture companies	-	15,543,346	82,588	-	15,625,934
<b>Total assets</b>	<b>6,472,741</b>	<b>18,283,360</b>	<b>627,338</b>	<b>(324,235)</b>	<b>25,059,204</b>
Segment liabilities	1,379,650	4,004,579	354,792	(324,235)	5,414,786

June 30, 2013

	Property Management & Rental \$'000	Investments \$'000	Other Service \$'000	Eliminations \$'000	Total \$'000
<b>REVENUE</b>					
External	757,284	92,635	45,390	-	895,309
Inter-segment	599	56,031	228	(56,858)	-
<b>Total revenue</b>	<b>757,883</b>	<b>148,666</b>	<b>45,618</b>	<b>(56,858)</b>	<b>895,309</b>
Segment results	342,334	9,698	35,622	-	387,654
Interest expense	(111,778)	(259,447)	(200)	39,935	(331,490)
	230,556	(249,749)	35,422	39,935	56,164
Share of results of associated and joint venture companies	-	768,886	-	-	768,886
<b>Profit before taxation</b>	<b>230,556</b>	<b>519,137</b>	<b>35,422</b>	<b>39,935</b>	<b>825,050</b>
Taxation	(63,683)	(19,388)	(6,100)	-	(89,171)
<b>Net profit</b>	<b>166,873</b>	<b>499,749</b>	<b>29,322</b>	<b>39,935</b>	<b>735,879</b>
Segment assets	6,036,546	2,824,618	334,370	(328,332)	8,867,202
Associates and joint venture companies	-	13,226,889	91,432	-	13,318,321
<b>Total assets</b>	<b>6,036,546</b>	<b>16,051,507</b>	<b>425,802</b>	<b>(328,332)</b>	<b>22,185,523</b>
Segment liabilities	1,412,320	3,980,509	195,157	(328,332)	5,259,654

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**

**Notes to the Unaudited Consolidated Financial Statements**

**30 June 2014**

**1. Basis of preparation**

The unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies as outlined in note 2 of the 31 December 2013 audited financial statements.