

# PAN-JAMAICAN INVESTMENT TRUST LIMITED



## Financial Statements

Nine months ended 30 September 2014

# **Pan-Jamaican Investment Trust Limited**

## **Interim Report to Stockholders**

**For the 9 months ended September 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 September 30, 2014.

### Highlights

- Net profit attributable to owners of \$406 million (2013: \$613 million) for the quarter and \$1,474 million (2013: \$1,323 million) for the nine months
- Return (annualised) on opening equity of 11% (2013: 11%)
- Earnings per stock unit of \$1.93 (2013: \$2.88) for the quarter and \$7.03 (2013: \$6.22) for the nine months
- Book value per stock unit of \$93.13 at September 30, 2014 (December 31, 2013: \$84.95)
- Ordinary dividends of \$1.90 per stock unit declared and paid through September 30, 2014 (2013: \$1.55)

### Income Statement

Net profit attributable to owners for the quarter ended September 30, 2014 amounted to \$406 million, compared to \$613 million in the 2013 3<sup>rd</sup> quarter, a decrease of 34%, equivalent to earnings per stock unit of \$1.93 compared to \$2.88 for the same period in 2013. Net profit attributable to owners for the nine months ended September 30, 2014 amounted to \$1,474 million, compared to \$1,323 million for 2013, an increase of 11%, equivalent to earnings per stock unit of \$7.03 compared to \$6.22 for the same period in 2013.

Investment income of \$43 million in the third quarter of 2014 was significantly lower than last year’s comparable quarter income of \$139 million, principally as a result of trading losses of \$8 million versus gains of \$76 million last year. Year to date investment income of \$302 million remains ahead, by 6%, of last year due principally to trading gains of \$81 million versus gains of \$47 million last year. Property income was up \$40 million, or 12%, compared to last year for the quarter and up \$123 million, also 12%, year to date, driven by stable occupancy levels and continuing modest growth in rental income.

Group operating profit for the 3<sup>rd</sup> quarter decreased by \$102 million, or 38%, compared to last year’s 3<sup>rd</sup> quarter. For the year to date, group operating profit of \$714 million remains ahead of last year, by \$54 million, or 8%. Total revenue was lower for the quarter compared to last year by \$60 million, or 11%, attributable to lower investment income partially offset by improved property income, but remains ahead of last year for the 9 months by \$125 million, or 9%. Operating expenses increased \$42 million for the

quarter and \$71 million for the 9 months, driven principally by increases in staff costs, bad debts and utilities costs compared to last year.

Finance costs declined compared to last year by \$22 million to \$110 million for the quarter, and by \$80 million to \$384 million for the 9 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 averaging 97% for the 3<sup>rd</sup> quarter, a slight improvement over last year, while contribution to group operating profit of \$167 million for the quarter (\$544 million year-to-date) was \$3 million (\$37 million year-to-date) higher than last year, attributable to improved rental income.

Our investment management segment posted an operating loss of \$14 million for the quarter, compared to last year's 3<sup>rd</sup> quarter profit of \$88 million, driven by securities trading results and reduced foreign exchange gains. Year-to-date segment operating profit of \$122 million compares to last year's \$98 million, driven principally by gains on securities trading.

#### 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 of 25% in New Castle Co. Limited ("New Castle") (owners of the Walkerswood and Busha Browne lines of sauces and seasonings), 50% in Mavis Bank Coffee Factory Limited ("Mavis Bank"), 20.8% in Hardware & Lumber Limited ("H&L"), 35% in Caribe Hospitality Jamaica Limited (developers of the planned New Kingston Marriott Courtyard hotel) and 20% in Chukka Caribbean Adventures ("Chukka").

Our total share of results of associated and joint venture companies for the quarter of \$375 million was 26% lower compared to last year, while our nine month period share is flat year on year.

Our share of results of Sagicor was reduced by \$137 million (or 28%) for the quarter but better by \$24 million (or 2%) for the nine months. Sagicor's 3<sup>rd</sup> quarter results, net profit of \$1.1 billion, were down 29% from last year's 3<sup>rd</sup> quarter. This quarter's results were adversely affected by higher asset taxes as well as one off costs of rebranding and expenses arising from the acquisition of RBC Royal Bank Jamaica Limited, which was announced last quarter. Year to date performance is 2% 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 second half dividend of 28 cents per share was 33% better than last year, and the group continues to demonstrate resilience in its recovery from the effect of the NDX.

H&L reported a profit of \$44 million for the 3<sup>rd</sup> quarter, compared to \$37 million for the same period last year, bringing their year-to-date profit of \$113 million compared to \$90 million a year ago. While 3<sup>rd</sup> quarter revenues were flat compared to last year, and gross margins reduced, focus on operating efficiencies, overhead spend and finance costs have all helped improve profitability this year.

Mavis Bank's results continue to be hurt by a significant reduction in crop size compared to last year. Chukka's strong 3<sup>rd</sup> quarter helped offset the weaker quarter from Mavis Bank but year on year both entities have produced reduced results than 2013.

#### Balance Sheet

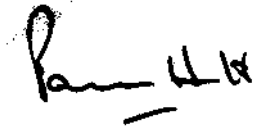
Total assets at September 30, 2014 amounted to \$25.2 billion, compared to \$23.3 billion at December 31, 2013. Stockholders' equity increased to \$19.5 billion (December 31 2013: \$17.8 billion), which equates to a book value per stock unit of \$93.13 as at September 30, 2014 (December 31, 2013: \$84.95).

#### Outlook

We applaud the Government's achievements against the IMF's quantitative performance criteria, as well as the country's positive climb to 58<sup>th</sup> place in the World Bank's "2015 Doing Business Report", as described in the most recent communiqué (#18) from the Economic Programme Oversight Committee ("EPOC"). The large number of positive economic indicators has started to provide a firm platform for growth.



Stephen B. Facey  
President & CEO



Paul R. Hanworth  
Chief Operating Officer

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

	<b>3 Months to Sep-14 \$'000</b>	<b>3 Months to Sep-13 \$'000</b>	<b>YTD Sep-14 \$'000</b>	<b>YTD Sep-13 \$'000</b>
<b>Income</b>				
Investments	43,173	139,373	301,704	283,900
Property	389,758	349,448	1,147,579	1,024,194
Commissions	14,904	13,440	43,867	38,073
Other	18,193	24,253	53,668	75,656
	466,028	526,514	1,546,818	1,421,823
Operating expenses	(296,559)	(254,663)	(832,982)	(762,318)
<b>Operating profit</b>	169,469	271,851	713,836	659,505
Finance costs	(109,722)	(132,388)	(383,849)	(463,878)
	59,747	139,463	329,987	195,627
Share of results of associated companies and joint venture	375,441	508,268	1,268,246	1,277,154
<b>Profit before taxation</b>	435,188	647,731	1,598,233	1,472,781
Taxation	(30,651)	(24,443)	(108,301)	(113,614)
<b>Net profit</b>	404,537	623,288	1,489,932	1,359,167
<b>Net profit attributable to:</b>				
Owners of the parent	405,905	612,603	1,474,160	1,322,607
Non-controlling interest	(1,368)	10,685	15,772	36,560
	404,537	623,288	1,489,932	1,359,167
<b>Earnings per stock unit attributable to owners of the parent for the period</b>	<b>\$1.93</b>	<b>\$2.88</b>	<b>\$7.03</b>	<b>\$6.22</b>

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

	3 Months to Sep-14 \$'000	3 Months to Sep-13 \$'000	YTD Sep-14 \$'000	YTD Sep-13 \$'000
Net profit for the period	404,537	623,288	1,489,932	1,359,167
<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)	-
<i>Items that may be subsequently reclassified to profit or loss</i>				
Unrealised (losses)/gains on available-for-sale financial assets, net of tax	(70,915)	29,038	(9,498)	52,587
Losses/(gains) recycled to profit and loss on disposal and maturity of investment assets	4,349	(18,547)	(40,614)	(18,636)
	(66,566)	10,491	(50,112)	33,951
Exchange differences on translating foreign operations	(1,736)	15,589	(19,254)	53,008
Share of other comprehensive income of associates	(35,518)	107,630	714,750	(167,865)
<b>Other comprehensive income for the period, net of tax</b>	(103,820)	133,710	645,384	(80,906)
<b>Total comprehensive income for the period</b>	300,717	756,998	2,107,558	1,278,261
<b>Total comprehensive income attributable to</b>				
Owners of the parent	302,079	746,249	2,091,783	1,241,731
Non-controlling interest	(1,362)	10,749	15,775	36,530
	300,717	756,998	2,107,558	1,278,261

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

	Unaudited September 2014 \$'000	Audited December 2013 \$'000	Restated Unaudited September 2013 \$'000
<b>ASSETS</b>			
<b>Cash and Bank Balances</b>	40,440	30,865	12,083
<b>Investments</b>			
Short term deposits	54,871	139,885	167,293
Securities			
Financial assets at fair value through profit and loss	473,923	609,282	453,290
Available-for-sale	1,467,320	1,685,215	1,432,982
Loans & receivables	455,725	237,451	269,283
Deposits	118,805	0	108,034
Securities purchased under agreements to resell	329,186	252,209	203,143
Investment properties	4,802,574	4,638,669	4,504,159
Investment in joint venture	64,169	76,481	93,877
Investment in associated companies	15,898,322	14,229,464	13,939,687
	<b>23,664,895</b>	<b>21,868,656</b>	<b>21,171,748</b>
<b>Other assets</b>			
Taxation recoverable	14,716	69,904	68,421
Deferred tax assets	17,497	17,497	3,963
Development in progress projects	711,542	701,788	700,473
Receivables and other assets	371,771	282,768	288,209
Property, plant and equipment	374,270	338,843	375,021
Retirement benefit assets	-	-	41,593
	<b>1,489,796</b>	<b>1,410,800</b>	<b>1,477,680</b>
	<b>25,195,131</b>	<b>23,310,321</b>	<b>22,661,511</b>
<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	18,877	11,359	-
Property revaluation reserve	3,054,297	2,922,892	2,801,870
Investment and other reserves	3,826,116	3,210,700	3,572,766
Retained earnings	10,662,128	9,717,955	8,834,982
Treasury stock	(181,666)	(164,325)	(26,179)
	<b>19,521,737</b>	<b>17,840,566</b>	<b>17,325,424</b>
<b>Non-controlling interest</b>	<b>273,722</b>	<b>257,947</b>	<b>261,657</b>
	<b>19,795,459</b>	<b>18,098,513</b>	<b>17,587,081</b>
<b>Liabilities</b>			
Bank overdraft	4,513	4,606	6,667
Taxation payable	50,284	85,010	56,245
Bank and other loans	4,668,150	4,532,356	4,379,980
Finance lease liability	13,488	14,528	20,755
Deferred tax liability	45,224	31,547	112,755
Retirement benefit liabilities	264,879	259,187	187,259
Payables and other liabilities	353,134	284,574	310,769
Total liabilities	<b>5,399,672</b>	<b>5,211,808</b>	<b>5,074,430</b>
	<b>25,195,131</b>	<b>23,310,321</b>	<b>22,661,511</b>



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 September 2014**

**30-Sep-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	-	-	-	(80,876)	1,322,607	-	36,530	1,278,261
Dividends paid	-	-	-	-	(330,015)	-	-	(330,015)
Liquidation of subsidiary	-	-	-	5,132	-	-	(5,132)	-
Acquisition of treasury stocks	-	-	-	-	-	(16,280)	-	(16,280)
Property revaluation gains	-	-	126,559	-	(126,559)	-	-	-
Balance at end of period	2,141,985	-	2,801,870	3,572,766	8,834,982	(26,179)	261,657	17,587,081

**30-Sep-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	-	-	-	617,623	1,474,160	-	15,775	2,107,558
Dividends paid	-	-	-	-	(398,582)	-	-	(398,582)
Employee share option scheme value of services provided	-	12,523	-	-	-	-	-	12,523
Employee share grants vested	-	(5,005)	-	(2,207)	-	7,212	-	-
Acquisition of treasury stocks	-	-	-	-	-	(24,553)	-	(24,553)
Property revaluation gains	-	-	131,405	-	(131,405)	-	-	-
Balance at end of period	2,141,985	18,877	3,054,297	3,826,116	10,662,128	(181,666)	273,722	19,795,459



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

	<b>9-Months to September 2014 \$'000</b>	<b>9-Months to September 2013 \$'000</b>
Net profit	1,489,932	1,359,167
<b>Items not affecting cash</b>		
Share of results of associated and joint venture companies	(1,268,246)	(1,277,154)
Fair value gains on investment properties	(137,409)	(132,330)
Foreign currency loss, net	12,357	74,949
Other	348,348	364,125
	<u>444,982</u>	<u>388,757</u>
<b>Changes in operating assets and liabilities</b>		
Other assets	(44,427)	(54,912)
Other liabilities	68,299	66,749
	<u>468,854</u>	<u>400,594</u>
Interest received	64,556	81,579
Income tax paid	<u>(127,287)</u>	<u>(166,920)</u>
<b>Net cash provided by operations</b>	406,123	315,253
<b>Cash flows from investing activities</b>		
Disposal/(Acquisition) of investment securities, net	62,180	(787,162)
Additional investment in associated company	(143,729)	(102,392)
Other investment activities	(94,036)	(366,220)
Acquisition of treasury stock	(24,553)	(16,280)
Dividends received from associated companies	442,422	247,957
<b>Net cash provided by/(used in) investing activities</b>	<u>242,284</u>	<u>(1,024,097)</u>
<b>Cash flows from financing activities</b>		
Dividends paid to company stockholders	(398,582)	(330,015)
Loan received	488,022	386,934
Loan repaid	(380,523)	(374,444)
Interest paid	(352,899)	(307,238)
Other financing activities	(1,039)	6,956
<b>Net cash used in financing activities</b>	<u>(645,021)</u>	<u>(617,807)</u>
Net increase/(decrease) in cash and cash equivalents	3,386	(1,326,651)
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>419,984</u></u>	<u><u>375,257</u></u>
<b>Comprising of:</b>		
Cash at bank and in hand	40,440	12,083
Short term deposits	54,871	167,293
Securities purchased under agreement to resell	329,186	202,548
Overdraft	(4,513)	(6,667)
	<u>419,984</u>	<u>375,257</u>

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

September 30, 2014

	Property Management & Rental \$'000	Investments \$'000	Other Services \$'000	Eliminations \$'000	Total \$'000
<b>REVENUE</b>					
External	1,243,866	239,839	63,113	-	1,546,818
Inter-segment	2,883	83,058	1,340	(87,281)	-
<b>Total revenue</b>	<b>1,246,749</b>	<b>322,897</b>	<b>64,453</b>	<b>(87,281)</b>	<b>1,546,818</b>
Segment results	543,617	121,898	48,321	-	713,836
Finance costs	(124,037)	(319,253)	-	59,441	(383,849)
	419,580	(197,355)	48,321	59,441	329,987
Share of results of associated and joint venture companies	-	1,268,246	-	-	1,268,246
<b>Profit before taxation</b>	<b>419,580</b>	<b>1,070,891</b>	<b>48,321</b>	<b>59,441</b>	<b>1,598,233</b>
Taxation	(80,497)	(23,053)	(4,751)	-	(108,301)
<b>Net profit</b>	<b>339,083</b>	<b>1,047,838</b>	<b>43,570</b>	<b>59,441</b>	<b>1,489,932</b>
Segment assets	6,605,927	2,603,607	398,179	(375,073)	9,232,640
Associates and joint venture companies	-	15,898,322	64,169	-	15,962,491
<b>Total assets</b>	<b>6,605,927</b>	<b>18,501,929</b>	<b>462,348</b>	<b>(375,073)</b>	<b>25,195,131</b>
Segment liabilities	1,343,413	4,236,338	194,994	(375,073)	5,399,672

September 30, 2013

	Property Management & Rental \$'000	Investments \$'000	Other Service \$'000	Eliminations \$'000	Total \$'000
<b>REVENUE</b>					
External	1,140,942	211,883	68,998	-	1,421,823
Inter-segment	837	83,300	231	(84,368)	-
<b>Total revenue</b>	<b>1,141,779</b>	<b>295,183</b>	<b>69,229</b>	<b>(84,368)</b>	<b>1,421,823</b>
Segment results	507,123	97,516	54,866	-	659,505
Finance costs	(154,954)	(368,054)	(200)	59,330	(463,878)
	352,169	(270,538)	54,666	59,330	195,627
Share of results of associated and joint venture companies	-	1,277,154	-	-	1,277,154
<b>Profit before taxation</b>	<b>352,169</b>	<b>1,006,616</b>	<b>54,666</b>	<b>59,330</b>	<b>1,472,781</b>
Taxation	(87,251)	(19,500)	(6,863)	-	(113,614)
<b>Net profit</b>	<b>264,918</b>	<b>987,116</b>	<b>47,803</b>	<b>59,330</b>	<b>1,359,167</b>
Segment assets	6,135,824	2,513,807	316,068	(337,752)	8,627,947
Associates and joint venture companies	-	13,939,687	93,877	-	14,033,564
<b>Total assets</b>	<b>6,135,824</b>	<b>16,453,494</b>	<b>409,945</b>	<b>(337,752)</b>	<b>22,661,511</b>
Segment liabilities	1,383,471	3,881,542	147,169	(337,752)	5,074,430

**PAN-JAMAICAN INVESTMENT TRUST LIMITED**

**Notes to the Unaudited Consolidated Financial Statements**

**30 September 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.