



**PanJam Investment Limited**  
(formerly Pan-Jamaican Investment Trust Limited)

**Financial Statements**  
**31 December 2016**

**PanJam Investment Limited**  
(formerly Pan-Jamaican Investment Trust Limited)  
Index  
31 December 2016

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## *Independent auditor's report*

To the Members of PanJam Investment Limited (formerly Pan-Jamaican Investment Trust Limited)

### *Report on the audit of the consolidated and stand-alone financial statements*

#### *Our opinion*

In our opinion, the consolidated financial statements and stand-alone financial statements give a true and fair view of the consolidated financial position of PanJam Investment Limited (formerly Pan-Jamaican Investment Trust Limited) (the 'Company') and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2016, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

#### **What we have audited**

PanJam Investment Limited's consolidated and stand-alone financial statements comprise:

- the consolidated and company statements of financial position as at 31 December 2016;
- the consolidated and company income statements and statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### ***Our audit approach***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### **How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| <b>Key audit matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <b>How our audit addressed the key audit matter</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b><i>Valuation of investment properties</i></b></p> <p><i>See notes 2 (h)(iii), 3(v) and 17 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.</i></p> <p>The determination of the fair value of investment properties requires significant judgement. Investment properties represented \$5.6 billion or 17% of total assets at the end of the reporting period and as such, was an area of focus for the audit.</p> <p>Management, through an independent valuation expert, used two methods to value investment properties namely: comparable sales approach and the direct capitalisation approach. The direct capitalisation approach, which was used to value the majority of the properties, takes into consideration a number of factors which require estimation and judgement. The key factors include:</p> <ul style="list-style-type: none"><li>▪ estimation of rental income</li></ul> | <p>We met with the property valuers and updated our understanding of the valuation process and obtained information on significant developments within the industry.</p> <p>We assessed the competence and objectivity of the property valuers, confirming that they are qualified and that there was no affiliation to the Group.</p> <p>We assessed the appropriateness of the valuation methodology used and confirmed that it was suitable for determining market value in accordance with the financial reporting framework.</p> <p>We challenged the work of the property valuers by benchmarking the assumptions used to relevant market evidence which included performing comparisons to similar properties located in the same area.</p> |



- determination of a capitalisation factor
- estimation of vacancy levels

Changes in these assumptions may have a significant impact on the carrying value of investment properties.

***Valuation of investments classified as available-for-sale and classified as level 3 in the fair value hierarchy***

*See notes 2 (h), 3 (ii), 15 and 36 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.*

The fair value of financial instruments that are not quoted on an exchange, and for which one or more of the significant inputs are not based on observable market data, are classified as level 3 in the fair value hierarchy. In these instances, management determines the unobservable inputs using the best information available in the circumstances taking into account all information that is reasonably available. The lack of available observable market data resulted in greater estimation uncertainty and subjectivity which therefore led us to focus our attention on this area.

Investments for which observable market data was limited and were classified as level 3 investments totalled \$965 million and \$467 million or 3% and 4% of total assets for the Group and Company respectively as at the reporting date. These investments related to investments in three funds.

We also agreed the inputs used by the property valuers to supporting documentation. We further developed a point estimate based on the information that was obtained from performing the above procedures.

Based on the procedures performed, management's valuations were found to be consistent with our point estimate.

We tested the fair value of the investments in these underlying funds by performing the following:

- In respect of the closed end real estate fund, which constituted the majority of the level 3 balance, we used our own valuations expert to evaluate the property valuations prepared by experts engaged by the fund managers. In addition, we tested the existence and valuation of its other significant assets and liabilities through the use of external confirmations as well as vouching to supporting documentation.
- The second fund investment, which invests primarily in other companies, was newly acquired during the year. We tested the initial purchase of the investment as well as verifying the ownership of the companies in which the fund had an investment. In addition, we used historical data including audited financial statements to assess the reliability of the fund manager's estimate of fair value.
- For the third fund, the underlying asset of the fund was still under construction and hence the cost of the investment approximated to its fair value. We performed testing of the initial purchase of the investment and other procedures sufficient to conclude it reflected fair value at the reporting date.



- The net asset value and the number of units held in the funds were also confirmed with the fund managers.

We found management's valuation of these level 3 investments to be within range of our estimation of fair value based on the outcome of our procedures.

### **Valuation of retirement benefit assets and liabilities**

*See notes 2 (l), 3 (iv) and 23 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.*

The cost of pension benefits and the present value of these benefits depend on a number of factors and assumptions. Due to the complexity of the balance, management appointed an external actuary to perform the valuations. The assumptions used in determining the assets for the pension benefits and the liabilities for the other post-employment benefits included:

- the expected long-term rate of return on the relevant plan assets
- the discount rate
- the expected rate of increase in medical costs in the case of post-employment medical benefits

Any changes in these assumptions will impact the valuation of the assets and liabilities recorded for pension and post-employment benefits.

This was an area of focus due to the numerous assumptions used; and that, as at 31 December 2016, the fair value of plan assets and the present value of future obligations for the Group and Company were considered significant and totalled \$1,207 million and \$663 million or 4% and 6% of total assets and \$1,091 million and \$284 million or 18% and 6% of total liabilities, respectively.

We evaluated the valuation technique used to perform the valuation of retirement benefit assets and liabilities and found it to be consistent with the requirements of IAS 19, Employee Benefits.

We assessed the competence and objectivity of the management appointed actuary, confirming that they are qualified and that there was no affiliation to the Group.

We checked the employee data submitted to the actuary against information maintained on the employees' personnel files maintained by the Group. We challenged the assumptions used by management to determine the valuation of the liabilities by engaging our own expert to assess the work of management's expert. This included comparing the assumptions to externally derived data such as mortality tables from the Society of Actuaries, economic statistics from the Bank of Jamaica and the discount rate from the Institute of Chartered Accountants of Jamaica. We also confirmed the assets of the plans with the custodian of these assets and verified the bid prices used to value these assets to published prices.

Based on the procedures performed, we found the inputs and assumptions to be in line with our expectations.



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### *Other information*

Management is responsible for the other information. The other information comprises the information presented in the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### *Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements*

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Company's financial reporting process.

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### *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.





From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**Report on other legal and regulatory requirements**

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Recardo Nathan.

*PricewaterhouseCoopers*  
Kingston, Jamaica

3 March 2017

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Consolidated Income Statement

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                                                                     | Note | 2016<br>\$'000   | 2015<br>\$'000   |
|-------------------------------------------------------------------------------------|------|------------------|------------------|
| <b>Income</b>                                                                       |      |                  |                  |
| Investments                                                                         | 5    | 239,333          | 205,722          |
| Property                                                                            | 6    | 1,382,426        | 1,482,694        |
| Commissions                                                                         |      | 51,551           | 56,596           |
| Other                                                                               | 7    | 69,283           | 97,295           |
|                                                                                     |      | 1,742,593        | 1,842,307        |
| Operating expenses                                                                  | 8    | (1,311,366)      | (1,267,864)      |
| <b>Operating Profit</b>                                                             |      | 431,227          | 574,443          |
| Finance costs                                                                       | 10   | (527,199)        | (496,422)        |
| Share of results of joint ventures                                                  |      | 53,282           | 34,230           |
| Share of results of associated companies                                            |      | 3,643,077        | 3,192,256        |
| Gains on disposal of associated and joint venture companies                         | 11   | 851,082          | -                |
| <b>Profit before Taxation</b>                                                       |      | 4,451,469        | 3,304,507        |
| Taxation                                                                            | 12   | (99,851)         | (50,614)         |
| <b>NET PROFIT</b>                                                                   |      | <u>4,351,618</u> | <u>3,253,893</u> |
| <b>Attributable to:</b>                                                             |      |                  |                  |
| Owners of the parent                                                                |      | 4,050,373        | 3,186,141        |
| Non-controlling interests                                                           |      | 301,245          | 67,752           |
|                                                                                     |      | <u>4,351,618</u> | <u>3,253,893</u> |
| <b>Earnings per stock unit attributable to owners of the parent during the year</b> |      |                  |                  |
| Basic and fully diluted                                                             | 13   | <u>\$3.86</u>    | <u>\$3.04</u>    |

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                                                                                 | 2016<br>\$'000          | 2015<br>\$'000          |
|-------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Net Profit for the year</b>                                                                  | <u>4,351,618</u>        | <u>3,253,893</u>        |
| <b>Other Comprehensive Income, net of taxes</b>                                                 |                         |                         |
| <i>Items that will not be reclassified to profit or loss</i>                                    |                         |                         |
| Re-measurement of post-employment benefit obligations, net of taxation                          | <u>(20,868)</u>         | <u>56,217</u>           |
| <i>Items that may be subsequently reclassified to profit or loss</i>                            |                         |                         |
| Exchange differences on translating foreign operations                                          | 1,883                   | 6,117                   |
| Unrealised gains on available-for-sale financial assets, net of taxation                        | 83,836                  | 32,211                  |
| Gains recycled to profit or loss on disposal and maturity of investment assets, net of taxation | (2,125)                 | (86,698)                |
| Realised gains on disposal of associated company                                                | (117,188)               | -                       |
| Share of other comprehensive income of associated company, net of taxation                      | <u>1,183,075</u>        | <u>(2,005,316)</u>      |
|                                                                                                 | <u>1,149,481</u>        | <u>(2,053,686)</u>      |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                                               | <u><u>5,480,231</u></u> | <u><u>1,256,424</u></u> |
| <b>Attributable to:</b>                                                                         |                         |                         |
| Owners of the parent                                                                            | 5,178,997               | 1,188,673               |
| Non-controlling interests                                                                       | <u>301,234</u>          | <u>67,751</u>           |
|                                                                                                 | <u><u>5,480,231</u></u> | <u><u>1,256,424</u></u> |

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Consolidated Statement of Financial Position

31 December 2016

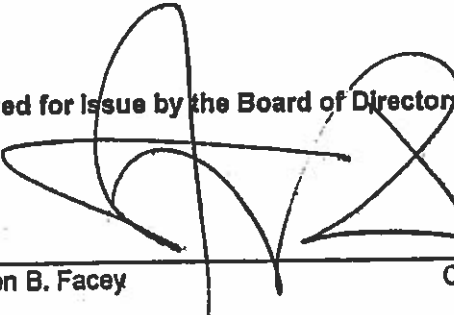
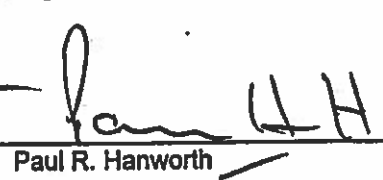
(expressed in Jamaican dollars unless otherwise indicated)

|                                                        | Note | 2016<br>\$'000    | 2015<br>\$'000    |
|--------------------------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                                          |      |                   |                   |
| <b>Cash and Bank Balances</b>                          | 14   | 56,597            | 120,123           |
| <b>Investments</b>                                     |      |                   |                   |
| Deposits                                               | 14   | 499,303           | 281,304           |
| Investment securities:                                 |      |                   |                   |
| Financial assets at fair value through profit and loss | 15   | 662,944           | 462,802           |
| Available-for-sale                                     | 15   | 2,542,684         | 1,290,749         |
| Held-to-maturity                                       | 15   | 32,237            | -                 |
| Loans and receivables                                  | 15   | 109,087           | 386,145           |
|                                                        |      | 3,346,952         | 2,139,696         |
| Securities purchased under agreements to resell        | 16   | 206,198           | 553,900           |
| Investment properties                                  | 17   | 5,583,427         | 5,194,069         |
| Investment in joint ventures                           | 18   | -                 | 240,605           |
| Investment in associated companies                     | 18   | 20,874,843        | 17,781,280        |
|                                                        |      | <u>30,510,723</u> | <u>26,190,854</u> |
| <b>Other assets</b>                                    |      |                   |                   |
| Taxation recoverable                                   |      | 28,350            | 25,590            |
| Deferred tax assets                                    | 19   | 1,470             | 4,281             |
| Prepayments and miscellaneous assets                   | 20   | 1,114,997         | 1,238,093         |
| Property, plant and equipment                          | 21   | 688,252           | 314,783           |
| Intangibles                                            | 22   | 40,291            | 60,437            |
|                                                        |      | <u>1,873,360</u>  | <u>1,643,184</u>  |
|                                                        |      | <u>32,440,680</u> | <u>27,954,161</u> |

**PanJam Investment Limited**  
(formerly Pan-Jamaican Investment Trust Limited)  
**Consolidated Statement of Financial Position (Continued)**  
**31 December 2016**  
(expresses in Jamaican dollars unless otherwise indicated)

|                                                                  | Note | 2016<br>\$'000    | 2015<br>\$'000    |
|------------------------------------------------------------------|------|-------------------|-------------------|
| <b>STOCKHOLDERS' EQUITY AND LIABILITIES'</b>                     |      |                   |                   |
| <b>Stockholders' Equity</b>                                      |      |                   |                   |
| <b>Capital and Reserves Attributable to Owners of the Parent</b> |      |                   |                   |
| Share capital                                                    | 28   | 2,141,985         | 2,141,985         |
| Equity compensation reserve                                      | 29   | 46,054            | 38,181            |
| Property revaluation reserve                                     | 30   | 3,477,645         | 3,327,600         |
| Investment and other reserves                                    | 31   | 2,780,185         | 1,879,882         |
| Retained earnings                                                |      | 17,528,506        | 14,541,916        |
| Treasury stock                                                   |      | (304,904)         | (166,446)         |
|                                                                  |      | <u>25,669,471</u> | <u>21,763,118</u> |
| <b>Non-Controlling Interests</b>                                 |      | <u>587,762</u>    | <u>336,928</u>    |
|                                                                  |      | <u>26,257,233</u> | <u>22,100,046</u> |
| <b>Liabilities</b>                                               |      |                   |                   |
| Bank overdrafts                                                  | 14   | 4,655             | 8,913             |
| Taxation payable                                                 |      | -                 | 36,157            |
| Loan liabilities                                                 | 25   | 5,182,065         | 5,180,745         |
| Finance lease liability                                          | 26   | 11,756            | 11,446            |
| Deferred tax liabilities                                         | 19   | 140,087           | 54,319            |
| Retirement benefit liabilities                                   | 23   | 208,330           | 183,618           |
| Other liabilities                                                | 27   | 636,554           | 378,917           |
|                                                                  |      | <u>6,183,447</u>  | <u>5,854,115</u>  |
|                                                                  |      | <u>32,440,680</u> | <u>27,954,161</u> |

Approved for issue by the Board of Directors on 3 March 2017 signed on its behalf by:

Stephen B. Facey Chairman      Paul R. Hanworth Director

**PanJam Investment Limited**  
 (formerly Pan-Jamaican Investment Trust Limited)  
**Consolidated Statement of Changes in Equity**  
**Year ended 31 December 2016**  
 (expressed in Jamaican dollars unless otherwise indicated)

|                                                         | Attributable to Owners of the Parent |                      |                |                              |                               |                   |                |                           |             |
|---------------------------------------------------------|--------------------------------------|----------------------|----------------|------------------------------|-------------------------------|-------------------|----------------|---------------------------|-------------|
|                                                         | Share Capital                        | Compensation Reserve | Equity Reserve | Property Revaluation Reserve | Investment and Other Reserves | Retained Earnings | Treasury Stock | Non-controlling Interests | Total       |
|                                                         | \$'000                               | \$'000               | \$'000         | \$'000                       | \$'000                        | \$'000            | \$'000         | \$'000                    | \$'000      |
| <b>Balance at 1 January 2015</b>                        | 2,141,985                            | -                    | 23,052         | 3,118,605                    | 3,926,021                     | 12,106,496        | (181,666)      | 269,177                   | 21,403,670  |
| <b>Comprehensive Income</b>                             |                                      |                      |                |                              |                               |                   |                |                           |             |
| Net profit                                              | -                                    | -                    | -              | -                            | -                             | 3,186,141         | -              | 67,752                    | 3,253,893   |
| Other comprehensive income                              | -                                    | -                    | -              | -                            | (2,053,685)                   | 56,217            | -              | (1)                       | (1,997,469) |
| <b>Total comprehensive income for the year</b>          | -                                    | -                    | -              | -                            | (2,053,685)                   | 3,242,358         | -              | 67,751                    | 1,256,424   |
| <b>Transactions with owners</b>                         |                                      |                      |                |                              |                               |                   |                |                           |             |
| Employee share option scheme value of services provided | -                                    | 24,900               | -              | -                            | -                             | -                 | -              | -                         | 24,900      |
| Employee share grants vested                            | -                                    | (9,771)              | -              | -                            | (195)                         | -                 | 9,966          | -                         | -           |
| Dividends paid to equity holders of the company         | -                                    | -                    | -              | -                            | -                             | (597,943)         | -              | -                         | (597,943)   |
| Employee share purchases                                | -                                    | -                    | -              | -                            | (1,259)                       | -                 | 5,254          | -                         | 3,995       |
| Change in reserves of associated company                | -                                    | -                    | -              | -                            | 9,000                         | -                 | -              | -                         | 9,000       |
| <b>Total transactions with owners</b>                   | -                                    | 15,129               | -              | -                            | 7,546                         | (597,943)         | 15,220         | -                         | (560,048)   |
| Transfer of unrealised property revaluation gains       | -                                    | -                    | -              | 208,995                      | -                             | (208,995)         | -              | -                         | -           |
| <b>Balance at 31 December 2015</b>                      | 2,141,985                            | 38,181               | 3,327,600      | 1,879,882                    | 14,541,916                    | (166,446)         | 336,928        | 22,100,046                |             |

**PanJam Investment Limited**  
 (formerly Pan-Jamaican Investment Trust Limited)  
**Consolidated Statement of Changes in Equity (Continued)**  
**Year ended 31 December 2016**  
 (expressed in Jamaican dollars unless otherwise indicated)

|                                                              | Attributable to Owners of the Parent |                      |                  |                              |                               |                   |                |                           |        |
|--------------------------------------------------------------|--------------------------------------|----------------------|------------------|------------------------------|-------------------------------|-------------------|----------------|---------------------------|--------|
|                                                              | Share Capital                        | Compensation Reserve | Equity Reserve   | Property Revaluation Reserve | Investment and Other Reserves | Retained Earnings | Treasury Stock | Non-controlling Interests | Total  |
|                                                              | \$'000                               | \$'000               | \$'000           | \$'000                       | \$'000                        | \$'000            | \$'000         | \$'000                    | \$'000 |
| Balance at 1 January 2016                                    | 2,141,985                            | 38,181               | 3,327,600        | 1,879,882                    | 14,541,916                    | (166,446)         | 336,928        | 22,100,046                |        |
| <b>Comprehensive income</b>                                  |                                      |                      |                  |                              |                               |                   |                |                           |        |
| Net profit                                                   | -                                    | -                    | -                | -                            | 4,050,373                     | -                 | 301,245        | 4,351,618                 |        |
| Other comprehensive income                                   | -                                    | -                    | -                | 1,149,492                    | (20,868)                      | -                 | (11)           | 1,128,613                 |        |
| Total comprehensive income for the year                      | -                                    | -                    | -                | 1,149,492                    | 4,029,505                     | -                 | 301,234        | 5,480,231                 |        |
| Dividends paid to non-controlling interest                   | -                                    | -                    | -                | -                            | -                             | -                 | (50,400)       | (50,400)                  |        |
| <b>Transactions with owners</b>                              |                                      |                      |                  |                              |                               |                   |                |                           |        |
| Employee share option scheme value of services provided      | 29                                   | 29,639               | -                | -                            | -                             | -                 | -              | 29,639                    |        |
| Employee share grants/options issued                         | 29                                   | (21,766)             | -                | 15,903                       | -                             | 87,997            | -              | 82,134                    |        |
| Dividends paid and declared to equity holders of the company | 32                                   | -                    | -                | -                            | (892,870)                     | -                 | -              | (892,870)                 |        |
| Employee share purchases                                     | -                                    | -                    | -                | (56)                         | -                             | 5,521             | -              | 5,465                     |        |
| Acquisition of treasury stocks                               | -                                    | -                    | -                | -                            | -                             | (231,976)         | -              | (231,976)                 |        |
| Change in reserves of associated company                     | -                                    | -                    | -                | (265,036)                    | -                             | -                 | -              | (265,036)                 |        |
| Total transactions with owners                               | -                                    | 7,873                | -                | (249,189)                    | (892,870)                     | (138,458)         | -              | (1,272,644)               |        |
| Transfer of unrealised property revaluation gains            | -                                    | -                    | 150,045          | -                            | (150,045)                     | -                 | -              | -                         |        |
| <b>Balance at 31 December 2016</b>                           | <b>2,141,985</b>                     | <b>46,054</b>        | <b>3,477,645</b> | <b>2,780,185</b>             | <b>17,528,506</b>             | <b>(304,904)</b>  | <b>587,762</b> | <b>26,257,233</b>         |        |

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

## Consolidated Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                                              | Note | 2016<br>\$'000        | 2015<br>\$'000        |
|--------------------------------------------------------------|------|-----------------------|-----------------------|
| <b>Cash Flows from Operating Activities</b>                  | 33   | <u>342,809</u>        | <u>459,233</u>        |
| <b>Cash Flows from Investing Activities</b>                  |      |                       |                       |
| Acquisition of property, plant and equipment                 |      | (352,433)             | (68,755)              |
| Acquisition of intangible asset                              | 22   | -                     | (60,437)              |
| Improvements to investment properties                        | 17   | (6,789)               | (158)                 |
| Proceeds from disposal of property, plant and equipment      |      | 10,970                | -                     |
| Proceeds from disposal of investment in associated company   | 11   | 310,490               | -                     |
| Investments in associated company                            | 18   | (195,004)             | (400,360)             |
| Investment in joint venture                                  | 18   | -                     | (169,500)             |
| Dividends from associated companies                          |      | 1,420,821             | 943,933               |
| Acquisition of investment securities, net                    |      | (356,023)             | (142,469)             |
| Advances on future developments                              |      | <u>(4,120)</u>        | <u>(2,462)</u>        |
| Net cash provided by investing activities                    |      | <u>827,912</u>        | <u>99,792</u>         |
| <b>Cash Flows from Financing Activities</b>                  |      |                       |                       |
| Loans received                                               |      | 1,011,030             | 3,344,301             |
| Loans repaid                                                 |      | (1,123,679)           | (2,729,255)           |
| Interest paid                                                |      | (574,231)             | (355,270)             |
| Finance lease, net                                           |      | 310                   | (366)                 |
| (Acquisition)/issue of treasury stock, net                   |      | (47,098)              | 3,995                 |
| Dividends paid to non-controlling interest in subsidiary     |      | (50,400)              | -                     |
| Dividends paid to equity holders                             |      | <u>(682,743)</u>      | <u>(597,943)</u>      |
| Net cash used in financing activities                        |      | <u>(1,466,811)</u>    | <u>(334,538)</u>      |
| Net (decrease)/ increase in cash and cash equivalents        |      | (296,090)             | 224,487               |
| Effect of exchange rate changes on cash and cash equivalents |      | 42,082                | 13,538                |
| Cash and cash equivalents at beginning of year               |      | <u>940,854</u>        | <u>702,829</u>        |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>              | 14   | <u><u>686,846</u></u> | <u><u>940,854</u></u> |

Non cash transactions include proceeds from the sale of an associated company of \$803 million that was received after the reporting period (Note 11); transfer of net assets of \$153 million due to a change in classification of a joint venture to joint operation (Note 18); and the settling to related party loans of \$91 million with the consideration from the exercise of share options (Note 29).



# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

## Company Income Statement

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                         | Note | 2016<br>\$'000   | 2015<br>\$'000   |
|-----------------------------------------|------|------------------|------------------|
| <b>Income</b>                           |      |                  |                  |
| Investments                             | 5    | 1,864,975        | 1,303,314        |
| Management fees                         | 7    | 39,296           | 36,052           |
| Miscellaneous                           | 7    | 269              | 38               |
|                                         |      | <u>1,904,540</u> | <u>1,339,404</u> |
| <b>Expenses</b>                         |      |                  |                  |
| Operating expenses                      | 8    | 309,414          | 286,785          |
| Finance costs                           | 10   | 498,884          | 443,640          |
|                                         |      | <u>808,298</u>   | <u>730,425</u>   |
| Operating Profit                        |      | 1,096,242        | 608,979          |
| Gains on disposal of associated company | 11   | 288,194          | -                |
| <b>Profit before Taxation</b>           |      | 1,384,436        | 608,979          |
| Taxation                                | 12   | (34,214)         | 16,340           |
| <b>NET PROFIT</b>                       |      | <u>1,350,222</u> | <u>625,319</u>   |

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Company Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                                                                                 | 2016                    | 2015                  |
|-------------------------------------------------------------------------------------------------|-------------------------|-----------------------|
|                                                                                                 | \$'000                  | \$'000                |
| <b>Net Profit for the year</b>                                                                  | <u>1,350,222</u>        | <u>625,319</u>        |
| <b>Other Comprehensive Income</b>                                                               |                         |                       |
| <i>Items that will not be reclassified to profit or loss</i>                                    |                         |                       |
| Re-measurement of post-employment benefit obligations, net of taxation                          | <u>(25,633)</u>         | <u>109,219</u>        |
| <i>Items that may be subsequently reclassified to profit or loss</i>                            |                         |                       |
| Unrealised gains on available-for-sale financial assets, net of taxation                        | 92,145                  | 26,738                |
| Gains recycled to profit or loss on disposal and maturity of investment assets, net of taxation | <u>(798)</u>            | <u>(23,154)</u>       |
|                                                                                                 | <u>91,347</u>           | <u>3,584</u>          |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                                               | <u><u>1,415,936</u></u> | <u><u>738,122</u></u> |

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Company Statement of Financial Position

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                                        | Note | 2016<br>\$'000           | 2015<br>\$'000           |
|--------------------------------------------------------|------|--------------------------|--------------------------|
| <b>ASSETS</b>                                          |      |                          |                          |
| <b>Cash and Bank Balances</b>                          | 14   | 13,800                   | 7,325                    |
| <b>Investments</b>                                     |      |                          |                          |
| Deposits                                               | 14   | 147,593                  | 27,455                   |
| Investment securities                                  |      |                          |                          |
| Financial assets at fair value through profit and loss | 15   | 52,884                   | 38,240                   |
| Available-for-sale                                     | 15   | 981,559                  | 818,283                  |
| Held to maturity                                       | 15   | 32,237                   | -                        |
| Loans and receivables                                  | 15   | 423,888                  | 541,237                  |
|                                                        |      | 1,490,568                | 1,397,760                |
| Securities purchased under agreements to resell        | 16   | 171,337                  | 294,380                  |
| Investment in subsidiaries                             | 18   | 717,480                  | 395,207                  |
| Investment in associated companies                     | 18   | 7,560,096                | 7,582,392                |
|                                                        |      | <u>10,087,074</u>        | <u>9,697,194</u>         |
| <b>Other Assets</b>                                    |      |                          |                          |
| Due from related parties                               | 24   | 1,545,131                | 1,419,118                |
| Taxation recoverable                                   |      | 8,540                    | 6,348                    |
| Deferred tax asset                                     | 19   | -                        | 4,176                    |
| Prepayments and miscellaneous assets                   | 20   | 13,936                   | 33,574                   |
| Property, plant and equipment                          | 21   | 20,865                   | 9,195                    |
| Retirement benefit assets                              | 23   | 247,989                  | 223,790                  |
|                                                        |      | <u>1,836,461</u>         | <u>1,696,201</u>         |
|                                                        |      | <u><u>11,937,335</u></u> | <u><u>11,400,720</u></u> |

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Company Statement of Financial Position (Continued)

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                             | Note | 2016<br>\$'000 | 2015<br>\$'000 |
|---------------------------------------------|------|----------------|----------------|
| <b>STOCKHOLDERS' EQUITY AND LIABILITIES</b> |      |                |                |
| <b>Stockholders' Equity</b>                 |      |                |                |
| Share capital                               | 28   | 2,141,985      | 2,141,985      |
| Equity compensation reserve                 | 29   | 19,248         | 19,392         |
| Investment and other reserves               | 31   | 1,511,983      | 1,420,636      |
| Retained earnings                           |      | 3,164,772      | 2,746,419      |
|                                             |      | 6,837,988      | 6,328,432      |
| <b>Liabilities</b>                          |      |                |                |
| Bank overdraft                              | 14   | 4,655          | 8,913          |
| Taxation payable                            |      | 4,016          | 4,016          |
| Due to related parties                      | 24   | 12,868         | 13,011         |
| Loan liabilities                            | 25   | 4,625,216      | 4,918,549      |
| Finance lease liability                     | 26   | 941            | 1,996          |
| Deferred tax liability                      | 19   | 67,162         | -              |
| Retirement benefit liabilities              | 23   | 41,847         | 35,230         |
| Other liabilities                           | 27   | 342,642        | 90,573         |
|                                             |      | 5,099,347      | 5,072,288      |
|                                             |      | 11,937,335     | 11,400,720     |

Approved for issue by the Board of Directors on 3 March 2017 and signed on its behalf by:

Stephen B. Facey

Chairman

Paul R. Hanworth

Director

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

## Company Statement of Changes in Equity

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                                            | Note | Share<br>Capital<br>\$'000 | Equity<br>Compensation<br>Reserve<br>\$'000 | Investment<br>and Other<br>Reserves<br>\$'000 | Retained<br>Earnings<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------|------|----------------------------|---------------------------------------------|-----------------------------------------------|--------------------------------|-----------------|
| <b>Balance at 1 January 2015</b>                           |      | 2,141,985                  | 11,325                                      | 1,417,052                                     | 2,619,592                      | 6,189,954       |
| <b>Comprehensive income</b>                                |      |                            |                                             |                                               |                                |                 |
| Net profit                                                 |      | -                          | -                                           | -                                             | 625,319                        | 625,319         |
| Other comprehensive income:                                |      | -                          | -                                           | 3,584                                         | 109,219                        | 112,803         |
| <b>Total comprehensive income</b>                          |      | -                          | -                                           | 3,584                                         | 734,538                        | 738,122         |
| <b>Transactions with owners</b>                            |      |                            |                                             |                                               |                                |                 |
| Employee share option scheme value<br>of services provided | 29   | -                          | 12,900                                      | -                                             | -                              | 12,900          |
| Employee share grants vested                               | 29   | -                          | (4,833)                                     | -                                             | -                              | (4,833)         |
| Dividends paid                                             | 32   | -                          | -                                           | -                                             | (607,711)                      | (607,711)       |
| <b>Total transactions with owners</b>                      |      | -                          | 8,067                                       | -                                             | (607,711)                      | (599,644)       |
| <b>Balance at 31 December 2015</b>                         |      | 2,141,985                  | 19,392                                      | 1,420,636                                     | 2,746,419                      | 6,328,432       |
| <b>Comprehensive income</b>                                |      |                            |                                             |                                               |                                |                 |
| Net profit                                                 |      | -                          | -                                           | -                                             | 1,350,222                      | 1,350,222       |
| Other comprehensive income:                                |      | -                          | -                                           | 91,347                                        | (25,633)                       | 65,714          |
| <b>Total comprehensive income</b>                          |      | -                          | -                                           | 91,347                                        | 1,324,589                      | 1,415,936       |
| <b>Transactions with owners</b>                            |      |                            |                                             |                                               |                                |                 |
| Employee share option scheme value<br>of services provided | 29   | -                          | 15,319                                      | -                                             | -                              | 15,319          |
| Employee share grants issued                               | 29   | -                          | (15,463)                                    | -                                             | -                              | (15,463)        |
| Dividends paid and declared                                | 32   | -                          | -                                           | -                                             | (906,236)                      | (906,236)       |
| <b>Total transactions with owners</b>                      |      | -                          | (144)                                       | -                                             | (906,236)                      | (906,380)       |
| <b>Balance at 31 December 2016</b>                         |      | 2,141,985                  | 19,248                                      | 1,511,983                                     | 3,164,772                      | 6,837,988       |

## PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

### Company Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

|                                                              | Note | 2016<br>\$'000        | 2015<br>\$'000        |
|--------------------------------------------------------------|------|-----------------------|-----------------------|
| <b>Cash Flows from Operating Activities</b>                  | 33   | <u>1,564,484</u>      | <u>997,037</u>        |
| <b>Cash Flows from Investing Activities</b>                  |      |                       |                       |
| Investment in subsidiary                                     | 18   | (322,273)             | (93,697)              |
| Proceeds from disposal of associated company                 | 11   | 310,490               | -                     |
| Acquisition of property, plant and equipment                 | 21   | (15,803)              | -                     |
| Acquisition of investment securities, net                    |      | <u>(117,489)</u>      | <u>(42,955)</u>       |
| Net cash used in investing activities                        |      | <u>(145,075)</u>      | <u>(136,652)</u>      |
| <b>Cash Flows from Financing Activities</b>                  |      |                       |                       |
| Related parties                                              |      | (15,166)              | (828,323)             |
| Loans received                                               |      | 505,000               | 3,130,464             |
| Loans repaid                                                 |      | (750,000)             | (2,040,871)           |
| Interest paid                                                |      | (547,217)             | (320,640)             |
| Finance lease repaid                                         |      | (1,055)               | (809)                 |
| Dividends paid to shareholders                               | 32   | <u>(693,004)</u>      | <u>(607,711)</u>      |
| Net cash used in financing activities                        |      | <u>(1,501,442)</u>    | <u>(667,890)</u>      |
| Net (decrease)/increase in cash and cash equivalents         |      | (82,033)              | 192,495               |
| Effect of exchange rate changes on cash and cash equivalents |      | 23,191                | 3,635                 |
| Cash and cash equivalents at beginning of year               |      | <u>319,035</u>        | <u>122,905</u>        |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>              | 14   | <u><u>260,193</u></u> | <u><u>319,035</u></u> |

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

## 1. Identification and Principal Activities

- (a) PanJam Investment Limited (formerly Pan-Jamaican Investment Trust Limited), ("the company") is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange (JSE). The effective date of the name change was 22 November 2016.
- (b) The main activities of the company are holding investments and controlling the operations of its subsidiaries. The company's income consists mainly of dividends, interest income and management fees earned from its subsidiaries. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.
- (c) The company's subsidiaries, associated companies, and other consolidated entities, which together with the company are referred to as "the group" are as follows:

| Subsidiaries                                                | Principal Activities                | Proportion of Issued Equity Capital Held by |              |
|-------------------------------------------------------------|-------------------------------------|---------------------------------------------|--------------|
|                                                             |                                     | Company                                     | Subsidiaries |
| Jamaica Property Company Limited                            | Property Management and Development | 100%                                        | -            |
| Jamaica Property Development Limited                        | Property Development                | -                                           | 100%         |
| Jamaica Property Management Limited                         | Property Management                 | -                                           | 100%         |
| Imbrook Properties Limited                                  | Property Development                | -                                           | 100%         |
| Portfolio Partners Limited                                  | Investment Management               | 100%                                        | -            |
| Scotts Preserves Limited                                    | Food and Beverage                   | 62.5%                                       | -            |
| Busha Browne's Company Limited                              | Food and Beverage                   | 100%                                        | -            |
| Knutsford Holdings Limited                                  | Office Rental                       | 32%                                         | 28%          |
| Panacea Holdings Limited<br>(Incorporated in St. Lucia)     | Captive Insurance Holding           | 100%                                        | -            |
| Panacea Insurance Limited<br>(Incorporated in St. Lucia)    | Captive Insurance                   | -                                           | 100%         |
| Castleton Investments Limited<br>(Incorporated in St Lucia) | Investment Management               | 100%                                        | -            |
| Norbury Investments Limited<br>(Incorporated in Canada)     | Property Investment                 | -                                           | 100%         |
| PJ-AL Corp Limited<br>(Incorporated in United States)       | Property Investment                 | 100%                                        | -            |
| Palisadoes Investments Limited<br>(Incorporated in Canada)  | Investment Management               | -                                           | 100%         |
| Simcoe Investments Limited<br>(Incorporated in Barbados)    | Investment Management               | 100%                                        | -            |

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

## 1. Identification and Principal Activities (Continued)

(c) Continued

|                                                                    | <u>Principal Activities</u>                                           | <u>Proportion of Issued Equity Capital Held by</u> |                     |
|--------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------|---------------------|
|                                                                    |                                                                       | <u>Company</u>                                     | <u>Subsidiaries</u> |
| <b>Associated Companies</b>                                        |                                                                       |                                                    |                     |
| Sagicor Group Jamaica Limited                                      | Life and Health Insurance, Pension Management, Investment and Banking | 31.56%                                             | -                   |
| New Castle Company Limited<br>(Incorporated in St. Lucia)          | Consumer Products                                                     | 25%                                                | -                   |
| Chukka Caribbean Adventures Limited<br>(Incorporated in St. Lucia) | Tourism                                                               | 20%                                                | -                   |
| Caribe Hospitality Jamaica Limited                                 | Hotel Property Developers                                             | 32.15%                                             | -                   |
| Downing Street Realty Fund II<br>(Incorporated in Canada)          | Property Developers                                                   |                                                    | 34.60%              |
| Downing Street Realty Fund V<br>(Incorporated in Canada)           | Property Developers                                                   |                                                    | 53.82%              |
| Downing Street Realty Fund VII<br>(Incorporated in Canada)         | Property Developers                                                   |                                                    | 50%                 |
| <b>Other Consolidated Entity</b>                                   |                                                                       |                                                    |                     |
| First Jamaica Employees Share Purchase Plan                        | Employees Share Ownership Plan                                        | 100%                                               | -                   |
| <b>Joint arrangement</b>                                           |                                                                       |                                                    |                     |
| Kingchurch Property Holdings Limited                               | Property Development and Management                                   |                                                    | 50%                 |

During the year the company disposed of its 20.83% shareholding in Hardware & Lumber Limited and its 50% shareholding in Mavis Bank Coffee Factory Limited.

(d) All of the company's subsidiaries, associated companies and joint arrangements are incorporated and domiciled in Jamaica, except as otherwise indicated.



# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements of the group and the financial statements of the company standing alone (together referred to as the financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, and financial assets at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### *Standards, interpretations and amendments to published accounting standards effective in the current financial year*

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial period. The Group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

- **Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation'**, (effective for annual periods beginning on or after 1 January 2016) The main objective in amending IFRS 11 was to clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. This amendment did not have any impact on the financial statements.
- **Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation**, (effective for annual periods beginning on or after 1 January 2016). These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It was also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This amendment did not have any impact on the financial statements.
- **Amendments to IAS 27, 'Separate financial statements' on equity accounting** (effective for annual periods beginning on or after 1 January 2016). This amendment will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. This amendment did not have any impact on the financial statements.

# PanJam Investment Limited

(formerly Pan-Jamaican Investment Trust Limited)

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

*Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)*

- **Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative** (effective for annual periods beginning on or after 1 January 2016) The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: materiality; disaggregation and subtotals; notes; disclosure of accounting policies; and OCI arising from investments accounted for under the equity method. This amendment did not have any significant impact on the financial statements.
- **Annual Improvements to IFRSs 2012-2014 cycle** (effective for annual periods beginning on or after 1 January 2016) These amendments include changes from the 2012-14 cycle of the annual improvements project, that affect the following standards:

IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' regarding methods of disposal. The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'.

IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts. If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters.

IAS 19, 'Employee Benefits' regarding discount rates clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

These amendments did not have any significant impact on the financial statements.

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

**Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)**

- **Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption** (effective for annual periods beginning on or after 1 January 2016) These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. These amendments did not have any significant impact on the financial statements.

**Standards, interpretations and amendments to published standards that are not yet effective**

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the group's accounting periods beginning on or after 1 January 2017 or later periods, but were not effective at the statement of financial position date. The group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative** (effective for annual periods beginning on or after 1 January 2017) These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- **Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses** (effective for annual periods beginning on or after 1 January 2017) These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- **IFRS 9, 'Financial instruments'**, (effective for annual periods beginning on or after 1 January 2018). In July 2015, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. The group is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect.

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

#### Standards, interpretations and amendments to published standards that are not yet effective (continued)

- **IFRS 15, 'Revenue from contracts with customers'** (effective for annual periods beginning on or after 1 January 2018), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The group is assessing the impact of IFRS 15.
- **Amendment to IFRS 15, 'Revenue from contracts with customers'** (effective for annual periods beginning on or after 1 January 2018) comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions** (effective for annual periods beginning on or after 1 January 2018) clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'** (effective for annual periods beginning on or after 1 January 2018). These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39.

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

#### Standards, interpretations and amendments to published standards that are not yet effective

- **IFRS 16, 'Leasing'** (effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.) This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **Amendment to IAS 40, Investment property' relating to transfers of investment property** (effective for annual periods beginning on or after 1 January 2018) clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Annual improvements 2014–2016** (effective for annual periods beginning on or after 1 January 2018) These amendments include changes from the 2014-16 cycle of the annual improvements project, that affect the following standards: IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017; and IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- **IFRIC 22, 'Foreign currency transactions and advance consideration'** (effective for annual periods beginning on or after 1 January 2018) This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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## 2. Summary of Significant Accounting Policies (Continued)

### (b) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In the company stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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## 2. Summary of Significant Accounting Policies (Continued)

### (b) Basis of consolidation (continued)

#### (i) Subsidiaries (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### (ii) Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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## 2. Summary of Significant Accounting Policies (Continued)

### (b) Basis of consolidation (continued)

#### (iii) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. In the company's statement of financial position, investments in associates are shown at cost.

The results of associates with financial reporting year-ends that are different from the group are determined by prorating the results for the audited period as well as the period covered by management accounts (in the event that their accounting year ends more than three months prior to 31 December) to ensure that a full year of operations is accounted for, where applicable.

#### (iv) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements in Kingchurch Property Holdings Limited and has determined it to be a joint operation.

##### Joint operations

The group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements as set out in note 18.

##### Joint ventures

The group's interest in joint ventures is accounted for using the equity accounting method. Under the equity accounting method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for the post acquisition changes in the group's share of the net assets of the joint venture, less any impairment. The group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. Losses of a joint venture in excess of the group's interest are not recognised unless the group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.



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## 2. Summary of Significant Accounting Policies (Continued)

### (c) Income recognition

#### (i) Interest income and expenses

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. When amounts receivable in connection with investments become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

#### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

#### (iii) Property income

Revenue comprises the invoiced value of rental and maintenance charges, net of General Consumption Tax, and changes in fair values of investment properties. Rental income and maintenance charges are recognised on an accrual basis over the life of the building occupancy by tenants. Investment properties are valued on an annual basis by external professional valuers and the change in the fair value is recognised in the income statement.

#### (iv) Commission income

Commissions are recognised as revenue on an accrual basis.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is also the company's functional currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary assets denominated in foreign currencies and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes in amortised cost are recognised in the income statement, and other changes are recognised in other comprehensive income.

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### 2. Summary of Significant Accounting Policies (Continued)

#### (d) Foreign currency translation (continued)

##### (iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates; and
- All resulting exchange differences are recognized in other comprehensive income.

#### (e) Taxation

Taxation expense in the income statement comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the income statement except where they relate to items recorded in other comprehensive income or equity, in which case they are also charged or credited to other comprehensive income or equity. Taxation is based on profit for the year adjusted for taxation purposes at rates applicable to the year.

##### (i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable and tax losses in respect of the previous years.

##### (ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on rates enacted at the year-end date.

Deferred tax is not recognised on changes in the fair values of investment properties in excess of cost, as it is management's intention to recover such surplus through sale, which would not attract any taxes.

Deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

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## 2. Summary of Significant Accounting Policies (Continued)

### (f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

#### *Financial assets*

The group's financial assets comprise cash and bank balances, deposits, investment securities, and accounts receivable including balances due from related parties. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### *Financial liabilities*

The group's financial liabilities comprise bank overdraft, trade payables, loans, finance lease liabilities and other liabilities. They are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

The fair values of the group's and the company's financial instruments are discussed in Note 36.

### (g) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise investment securities with less than 90 days maturity from the date of acquisition including cash balances, short term deposits, securities purchased under agreements to resell and bank overdrafts.

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## 2. Summary of Significant Accounting Policies (Continued)

### (h) Investments

#### (i) Investment securities

The group classifies its investment securities as available-for-sale, fair value through profit and loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Purchases and sales of investments are recognised on settlement date – the date on which an asset is delivered to or by the group. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value, which is the cash consideration including any transaction costs, for all financial assets not carried at fair value through profit and loss. Financial assets at fair value through profit or loss are recorded at fair value excluding transaction costs, as transaction costs are taken directly to the income statement.

#### (a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale financial assets denominated in the functional currency of the reporting entity are recorded in other comprehensive income, and under investment and other reserves in equity. Changes in the fair value of foreign currency denominated available-for-sale financial assets are discussed in Note 2(d) (ii) & 2(f).

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognised in other comprehensive income are included in the income statement as investment income.

The group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, objective evidence of impairment includes significant difficulties on the part of the borrower and attempts to restructure the contractual cash flows associated with the debt. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The determination of the fair values of financial assets is discussed in Note 36.

#### (b) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. These assets are subsequently measured at fair value, with the fair value gains or losses being recognised in the income statement.

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## 2. Summary of Significant Accounting Policies (Continued)

### (h) Investments (continued)

#### (i) Investment securities (continued)

##### (c) Held-to-maturity

Financial assets held-to-maturity are debt instruments that the company intend to hold until maturity. A financial asset is classified in this category if acquired principally to hold until they mature. These assets are carried at cost adjusted for amortisation of discount or premium using the effective rate of interest method.

##### (d) Loans and receivables

Loans are recognised when cash is advanced to borrowers. They are carried at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when using the criteria for debt securities discussed under available-for-sale securities, management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

For impaired loans and receivables, the accrual of interest income based on the original terms of the loan is discontinued. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to the income statement.

#### (ii) Securities purchased under agreements to resell

Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

#### (iii) Investment property

Investment property is held for long-term rental yields and is not occupied by the group. Investment property is treated as a long-term investment and is carried at fair value, based on fair market valuation exercises conducted annually by independent qualified valuers. Changes in fair values are recorded in the income statement.

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### 2. Summary of Significant Accounting Policies (Continued)

#### (i) Leases

##### As lessee

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the income statement over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

#### (j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. If such subsequent cost relates to a replaced part, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at annual rates, as follows:

|                                         |                              |
|-----------------------------------------|------------------------------|
| Freehold premises                       | 2½%                          |
| Leasehold improvements                  | Over the period of the lease |
| Furniture, fixtures & equipment         | 5% - 33⅓%                    |
| Assets capitalised under finance leases | Life of lease                |
| Motor vehicles                          | 15% - 20%                    |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

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## 2. Summary of Significant Accounting Policies (Continued)

### (k) Inventories

Inventories are valued on the first-in, first-out basis at the lower of cost and net realisable value.

### (l) Employee benefits

#### (i) Pension obligations

The company and its subsidiaries operate a number of defined benefit pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in expenses.

#### (ii) Other post-employment benefits

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

#### (iii) Annual leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

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## 2. Summary of Significant Accounting Policies (Continued)

### (I) Employee benefits (continued)

#### (iv) Equity compensation benefits

The group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense in the company which is the primary recipient of the employee's services. The total amount expensed over the vesting period is determined by reference to the fair value of the options or shares granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to become exercisable. At each statement of financial position date, the group reviews its estimates of the number of options or shares that are expected to become exercisable or share grants which will be vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised or share grants are vested.

The cost of equity transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

#### (v) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the statement of financial position date are discounted to present value.



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## 2. Summary of Significant Accounting Policies (Continued)

### (m) Impairment of non-financial assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### (n) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

At each statement of financial position date an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

#### (ii) Computer software

Costs incurred to acquire computer software licences are recognised as intangible assets. These costs are being amortised using the straight-line method over their expected useful life of three years. All other costs associated with maintaining computer programs are recognized as an expense when incurred.

### (o) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (p) Dividends

Dividends are recorded as a deduction from stockholders' equity in the period in which they are approved.

### (q) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### (r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive committee that makes strategic decisions is deemed to be the chief operating decision-maker.

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### 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The group is subject to income taxes mainly in Jamaica. Significant judgement is required in determining the provision for income taxes. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and valuation inputs and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The group uses discounted cash flow analyses and references to prices for other instruments that are substantially the same for various available-for-sale financial assets that were not traded in active markets. Details of investment securities valued using other than quoted prices in an active market are provided in Note 36 of the financial statements.

(iii) Impairment of investment securities and investment in associated and joint venture companies

The group follows the guidance of IAS 39, IAS 28 and IAS 36 to determine when an investment security or an investment in an associated or joint venture company is impaired. In making this determination for investment securities, the group evaluates, among other factors, financial difficulties on the part of the borrowers and variations to the contractual cash flows associated with the investment for debt instruments, and the duration for and extent to which the fair value of an available-for-sale equity investment is lower than its cost. For investments in associated and joint venture companies, management determines the investment's recoverable amount, and compares this to the investment's carrying amount. Management's evaluation of the aforementioned factors for debt and equity securities, as well as the determination of the recoverable amount for its investment in associated and joint venture companies requires the use of significant judgement. Except as otherwise disclosed in the notes to the financial statements, management is of the view that there is no impairment to investment securities or investment in associated and joint venture companies.

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## 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

### (iv) Pension plan assets and post employment obligations

The cost of pension and other post-retirement benefits and the present value of these liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost or income for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost or income recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the group considers the interest rates of Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the local economy. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on current market conditions. A change in any of the assumptions used could have a significant impact on the value of the related retirement benefit asset or liability.

### (v) Investment properties

Investment properties are carried in the statement of financial position at market value. The group uses independent qualified property appraisers to value its investment properties annually, generally using the direct capitalisation approach. This approach takes into consideration various assumptions and factors including; the level of current and future occupancy, rent rates, a discount rate, and the current condition of the properties. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

### (vi) Value for intangible assets ascribed to investment in associated companies

As required by IFRS, acquisitions of shareholdings in associated companies require the allocation of the purchase price to determine the fair value of the group's share of the net identifiable assets acquired. The determination of these fair values requires the use of various estimates, inclusive of earnings multiples, growth rates and discount factors. It also requires the use of judgement in determining the valuation technique which best suits the particular asset being valued. Should these estimates or valuation methods change, there could be a material change to the carrying value for investment in associated companies.

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## 4. Segmental Financial Information

The group is organised into two main business segments:

- (a) Investments – This incorporates investment management and securities trading;
- (b) Property management and rental – This incorporates the rental and management of commercial real estate.

The operating segments have been determined by management based on the reports reviewed by the executive committee and which are used to make strategic and operational decisions. The property management and investments segments derive their income from rental and property management fees, and interest and dividend income respectively. The group's customers are mainly resident in Jamaica.

|                                                             | 2016                         |                   |                  |                  |                   |
|-------------------------------------------------------------|------------------------------|-------------------|------------------|------------------|-------------------|
|                                                             | Property Management & Rental | Investments       | Other Services   | Eliminations     | Total             |
|                                                             | \$'000                       | \$'000            | \$'000           | \$'000           | \$'000            |
| External operating revenue                                  | 1,360,162                    | 296,625           | 85,806           | -                | 1,742,593         |
| Inter-group revenue                                         | 7,757                        | 244,499           | 1,084            | (253,340)        | -                 |
| <b>Total revenue</b>                                        | <b>1,367,919</b>             | <b>541,124</b>    | <b>86,890</b>    | <b>(253,340)</b> | <b>1,742,593</b>  |
| Operating profit/(loss)                                     | 382,858                      | (18,811)          | 67,180           | -                | 431,227           |
| Finance costs                                               | (136,985)                    | (502,046)         | -                | 111,832          | (527,199)         |
|                                                             | 245,873                      | (520,857)         | 67,180           | 111,832          | (95,972)          |
| Gains on disposal of associated and joint venture companies | -                            | 185,453           | 665,629          | -                | 851,082           |
| Share of results of associated and joint venture companies  | -                            | 3,643,077         | 53,282           | -                | 3,696,359         |
| <b>Profit before taxation</b>                               | <b>245,873</b>               | <b>3,307,673</b>  | <b>786,091</b>   | <b>111,832</b>   | <b>4,451,469</b>  |
| Taxation                                                    | (24,837)                     | (58,810)          | (16,204)         | -                | (99,851)          |
| <b>Net profit</b>                                           | <b>221,036</b>               | <b>3,248,863</b>  | <b>769,887</b>   | <b>111,832</b>   | <b>4,351,618</b>  |
| Segment assets                                              | 7,546,974                    | 3,386,879         | 1,222,494        | (590,510)        | 11,565,837        |
| Investment in associated companies                          | -                            | 20,874,843        | -                | -                | 20,874,843        |
| <b>Total assets</b>                                         | <b>7,546,974</b>             | <b>24,261,722</b> | <b>1,226,494</b> | <b>(590,510)</b> | <b>32,440,680</b> |
| Segment liabilities                                         | 1,685,152                    | 4,932,833         | 155,972          | (590,510)        | 6,183,447         |
| Other segment items:                                        |                              |                   |                  |                  |                   |
| Capital expenditure                                         | 336,630                      | 15,803            | -                | -                | 352,433           |
| Depreciation                                                | 30,536                       | 4,133             | -                | -                | 34,669            |

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## 4. Segmental Financial Information (Continued)

|                                                                | 2015                               |                   |                   |                  |                   |
|----------------------------------------------------------------|------------------------------------|-------------------|-------------------|------------------|-------------------|
|                                                                | Property<br>Management<br>& Rental | Investments       | Other<br>Services | Eliminations     | Total             |
|                                                                | \$'000                             | \$'000            | \$'000            | \$'000           | \$'000            |
| External operating revenue                                     | 1,562,989                          | 166,909           | 112,409           | -                | 1,842,307         |
| Inter-group revenue                                            | 5,737                              | 208,634           | 881               | (215,252)        | -                 |
| <b>Total revenue</b>                                           | <b>1,568,726</b>                   | <b>375,543</b>    | <b>113,290</b>    | <b>(215,252)</b> | <b>1,842,307</b>  |
| Operating profit/(loss)                                        | 567,543                            | (90,712)          | 97,612            | -                | 574,443           |
| Finance costs                                                  | (151,060)                          | (447,991)         | -                 | 102,629          | (496,422)         |
|                                                                | 416,483                            | (538,703)         | 97,612            | 102,629          | 78,021            |
| Share of results of associated<br>companies and joint ventures | -                                  | 3,192,256         | 34,230            | -                | 3,226,486         |
| Profit before taxation                                         | 416,483                            | 2,653,553         | 131,842           | 102,629          | 3,304,507         |
| Taxation                                                       | (27,691)                           | (9,390)           | (13,533)          | -                | (50,614)          |
| <b>Net profit</b>                                              | <b>388,792</b>                     | <b>2,644,163</b>  | <b>118,309</b>    | <b>102,629</b>   | <b>3,253,893</b>  |
| Segment assets                                                 | 6,983,728                          | 3,137,047         | 460,770           | (649,269)        | 9,932,276         |
| Investment in associated<br>companies and joint venture        | 156,089                            | 17,781,280        | 84,516            | -                | 18,021,885        |
| <b>Total assets</b>                                            | <b>7,139,817</b>                   | <b>20,918,327</b> | <b>545,286</b>    | <b>(649,269)</b> | <b>27,954,161</b> |
| Segment liabilities                                            | 1,387,419                          | 4,919,800         | 196,165           | (649,269)        | 5,854,115         |
| Other segment items:                                           |                                    |                   |                   |                  |                   |
| Capital expenditure                                            | 68,755                             | -                 | -                 | -                | 68,755            |
| Depreciation                                                   | 25,306                             | 4,781             | -                 | -                | 30,087            |

Revenue is recognised by each segment on the accrual basis.

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## 5. Investment Income

|                                                                                     | The Group      |                | The Company      |                  |
|-------------------------------------------------------------------------------------|----------------|----------------|------------------|------------------|
|                                                                                     | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000   | 2015<br>\$'000   |
| <b>Income</b>                                                                       |                |                |                  |                  |
| Interest income -                                                                   |                |                |                  |                  |
| Financial assets at fair value through profit and loss                              | 10,112         | 9,834          | -                | -                |
| Available-for-sale investments                                                      | 36,715         | 33,266         | 20,440           | 15,392           |
| Held-to-maturity                                                                    | 912            | -              | 912              | -                |
| Loans and receivables                                                               | 47,018         | 32,242         | 187,191          | 162,686          |
| Securities purchased under agreement to resell and deposits                         | 15,508         | 17,040         | 10,015           | 5,894            |
| Realised gains on disposal of investments, net                                      | 8,029          | 127,004        | 1,153            | 25,282           |
| Fair value gains/(losses) on financial assets at fair value through profit and loss | 155,213        | (51,697)       | 14,644           | (12,918)         |
| Impairment charge on investment securities                                          | (160,812)      | (39,117)       | (19,854)         | (18,969)         |
| Foreign exchange gains                                                              | 104,392        | 26,174         | 116,849          | 66,623           |
| Dividends                                                                           | 25,675         | 53,375         | 1,533,626        | 1,059,342        |
| Other                                                                               | 534            | 672            | 131              | 64               |
|                                                                                     | <u>243,296</u> | <u>208,793</u> | <u>1,865,107</u> | <u>1,303,396</u> |
| <b>Direct expenses</b>                                                              |                |                |                  |                  |
| Investment expense                                                                  | (3,963)        | (3,071)        | (132)            | (82)             |
|                                                                                     | <u>239,333</u> | <u>205,722</u> | <u>1,864,975</u> | <u>1,303,314</u> |

## 6. Property Income

|                                                 | The Group        |                  | The Company    |                |
|-------------------------------------------------|------------------|------------------|----------------|----------------|
|                                                 | 2016<br>\$'000   | 2015<br>\$'000   | 2016<br>\$'000 | 2015<br>\$'000 |
| Rental income (Note 17)                         | 1,220,781        | 1,253,699        | -              | -              |
| Fair value gains on property valuation (Note17) | 161,645          | 228,995          | -              | -              |
|                                                 | <u>1,382,426</u> | <u>1,482,694</u> | <u>-</u>       | <u>-</u>       |

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### 7. Other Income

|                      | The Group      |                | The Company    |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Management fees      | 64,829         | 87,143         | 39,296         | 36,052         |
| Miscellaneous income | 4,454          | 10,152         | 269            | 38             |
|                      | <u>69,283</u>  | <u>97,295</u>  | <u>39,565</u>  | <u>36,090</u>  |

### 8. Operating Expenses by Nature

|                                              | The Group        |                  | The Company    |                |
|----------------------------------------------|------------------|------------------|----------------|----------------|
|                                              | 2016<br>\$'000   | 2015<br>\$'000   | 2016<br>\$'000 | 2015<br>\$'000 |
| Direct cost of property management (Note 17) | 572,731          | 562,445          | -              | -              |
| Staff costs (Note 9)                         | 377,484          | 427,874          | 134,691        | 140,430        |
| Directors' fees                              | 14,983           | 13,307           | 13,750         | 12,955         |
| Professional fees                            | 62,478           | 57,397           | 34,571         | 32,658         |
| Auditors' remuneration                       | 23,463           | 17,490           | 9,543          | 7,500          |
| Information technology services              | 17,566           | 7,172            | 4,620          | 4,077          |
| Office expense                               | 11,906           | 10,669           | 1,980          | 2,257          |
| Donations                                    | 72,794           | 29,293           | 57,537         | 20,820         |
| Bad debts                                    | 10,010           | 9,741            | -              | -              |
| Depreciation                                 | 34,669           | 30,087           | 4,133          | 4,781          |
| Amortisation                                 | 20,146           | -                | -              | -              |
| Irrecoverable GCT                            | 19,981           | 24,036           | 8,271          | 6,712          |
| 50 <sup>th</sup> Anniversary expenses        | -                | 21,265           | -              | 21,265         |
| Other                                        | 73,155           | 57,088           | 40,318         | 33,330         |
|                                              | <u>1,311,366</u> | <u>1,267,864</u> | <u>309,414</u> | <u>286,785</u> |

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## 9. Staff Costs

|                                             | The Group      |                | The Company    |                |
|---------------------------------------------|----------------|----------------|----------------|----------------|
|                                             | 2016           | 2015           | 2016           | 2015           |
|                                             | \$'000         | \$'000         | \$'000         | \$'000         |
| Wages and salaries                          | 229,233        | 208,086        | 92,716         | 90,603         |
| Statutory contributions                     | 19,948         | 17,037         | 9,035          | 7,129          |
| Pension – funded (Note 23(a))               | 44,493         | 133,842        | (1,212)        | 15,659         |
| Pension – unfunded (Note 23(b))             | 33             | 36             | 33             | 36             |
| Other post-employment benefits (Note 23(c)) | 22,117         | 17,690         | 4,231          | 2,645          |
| Stock compensation expense (Note 29)        | 29,639         | 24,900         | 15,319         | 12,900         |
| Other                                       | 32,021         | 26,283         | 14,569         | 11,458         |
|                                             | <u>377,484</u> | <u>427,874</u> | <u>134,691</u> | <u>140,430</u> |

## 10. Finance Costs

|                         | The Group      |                | The Company    |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2016           | 2015           | 2016           | 2015           |
|                         | \$'000         | \$'000         | \$'000         | \$'000         |
| Interest expense        | 520,647        | 434,624        | 493,420        | 399,695        |
| Foreign exchange losses | 3,058          | 46,960         | 2,467          | 32,813         |
| Commitment fees         | 3,494          | 14,838         | 2,997          | 11,132         |
|                         | <u>527,199</u> | <u>496,422</u> | <u>498,884</u> | <u>443,640</u> |



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## 11. Gains on Disposal of Associated and Joint Venture Companies

|                                      | 2016            |                   |
|--------------------------------------|-----------------|-------------------|
|                                      | Group<br>\$'000 | Company<br>\$'000 |
| Hardware & Lumber Limited            |                 |                   |
| Proceeds                             | 310,490         | 310,490           |
| Carrying value at disposal (Note 18) | (242,225)       | (22,296)          |
| Transfer to reserves                 | 117,188         | -                 |
| Gain on Disposal                     | 185,453         | 288,194           |
| Mavis Bank Coffee Factory Limited    |                 |                   |
| Consideration                        | 803,427         | -                 |
| Carrying value at disposal (Note 18) | (137,798)       | -                 |
| Gain on disposal                     | 665,629         | -                 |
| <b>Total</b>                         | <b>851,082</b>  | <b>288,194</b>    |

The consideration from the sale of Mavis Bank Coffee Factory Limited was received subsequent to year end.

## 12. Taxation

### (a) Composition of tax charge

The taxation charge/(credit) for the year is comprised of:

|                                 | The Group      |                | The Company    |                 |
|---------------------------------|----------------|----------------|----------------|-----------------|
|                                 | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000  |
| Current income tax              | 54,724         | 75,453         | 2,873          | 1,053           |
| Deferred income taxes (Note 19) | 45,127         | (24,839)       | 31,341         | (17,393)        |
|                                 | <u>99,851</u>  | <u>50,614</u>  | <u>34,214</u>  | <u>(16,340)</u> |

Subject to agreement with the Tax Administration Jamaica, one of the company's subsidiaries has losses available for offset against future taxable profits amounting to approximately \$35,755,000 (2015 - \$36,156,000).

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## 12. Taxation (Continued)

(b) Reconciliation of applicable tax charges to effective tax charge:

|                                                                   | The Group |           | The Company |           |
|-------------------------------------------------------------------|-----------|-----------|-------------|-----------|
|                                                                   | 2016      | 2015      | 2016        | 2015      |
|                                                                   | \$'000    | \$'000    | \$'000      | \$'000    |
| Current income tax                                                |           |           |             |           |
| Profit before tax                                                 | 4,451,469 | 3,304,507 | 1,384,436   | 608,979   |
| Tax at 25%                                                        | 1,112,867 | 826,127   | 346,109     | 152,245   |
| Adjusted for the effects of:                                      |           |           |             |           |
| Income not subject to tax                                         | (242,044) | (103,333) | (85,182)    | (47,181)  |
| Adjustment for income taxed at a different rate                   | (276)     | (812)     | (354,154)   | (225,639) |
| Share of associates' and joint venture profit included net of tax | (924,090) | (806,624) | -           | -         |
| Expenses not deductible for tax purposes                          | 127,201   | 97,418    | 86,075      | 88,612    |
| Effect of unutilised losses                                       | 36,026    | 62,758    | 36,026      | 36,567    |
| Employment tax credit                                             | (7,498)   | (17,891)  | -           | -         |
| Other charges and credits                                         | (2,335)   | (7,029)   | 5,340       | (20,944)  |
| Income tax expense/(credit)                                       | 99,851    | 50,614    | 34,214      | (16,340)  |

Income not subject to tax consists principally of gains on property revaluation gains (for the group), certain dividend and interest income and gains on disposal of associated and joint venture companies (for the group and company). Expenses not deductible for tax consist principally of certain interest expense.

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## 12. Taxation (Continued)

(c) Tax charge/(credit) relating to components of other comprehensive income is as follows:

|                                                                                                 | The Group               |                 |                        | The Company             |                 |                        |
|-------------------------------------------------------------------------------------------------|-------------------------|-----------------|------------------------|-------------------------|-----------------|------------------------|
|                                                                                                 | Before<br>Tax<br>\$'000 | Tax<br>\$'000   | After<br>Tax<br>\$'000 | Before<br>Tax<br>\$'000 | Tax<br>\$'000   | After<br>Tax<br>\$'000 |
| <b>At 31 December 2016</b>                                                                      |                         |                 |                        |                         |                 |                        |
| Exchange differences on translating foreign operations                                          | 1,883                   | -               | 1,883                  | -                       | -               | -                      |
| Fair value gains on available-for-sale financial asset, net of gains recycled to profit or loss | 83,578                  | (1,867)         | 81,711                 | 91,347                  | -               | 91,347                 |
| Re-measurement of post-employment benefit obligation                                            | 20,717                  | (41,585)        | (20,868)               | 14,364                  | (39,997)        | (25,633)               |
| Realised gains on disposal of associated company                                                | (117,188)               | -               | (117,188)              | -                       | -               | -                      |
| Share of other comprehensive income of associated companies                                     | 1,183,075               | -               | 1,183,075              | -                       | -               | -                      |
| <b>Other comprehensive income</b>                                                               | <b>1,172,065</b>        | <b>(43,452)</b> | <b>1,128,613</b>       | <b>105,711</b>          | <b>(39,997)</b> | <b>65,714</b>          |
| Deferred income tax (Note 19)                                                                   |                         | <u>(43,452)</u> |                        |                         | <u>(39,997)</u> |                        |
|                                                                                                 |                         |                 |                        |                         |                 |                        |
|                                                                                                 | The Group               |                 |                        | The Company             |                 |                        |
|                                                                                                 | Before<br>Tax<br>\$'000 | Tax<br>\$'000   | After<br>Tax<br>\$'000 | Before<br>Tax<br>\$'000 | Tax<br>\$'000   | After<br>Tax<br>\$'000 |
| <b>At 31 December 2015</b>                                                                      |                         |                 |                        |                         |                 |                        |
| Exchange differences on translating foreign operations                                          | 6,117                   | -               | 6,117                  | -                       | -               | -                      |
| Fair value gains on available-for-sale financial asset, net of gains recycled to profit or loss | (56,075)                | 1,588           | (54,487)               | 3,584                   | -               | 3,584                  |
| Re-measurement of post-employment benefit obligation                                            | 74,956                  | (18,739)        | 56,217                 | 145,626                 | (36,407)        | 109,219                |
| Share of other comprehensive income of associated companies                                     | (2,005,316)             | -               | (2,005,316)            | -                       | -               | -                      |
| <b>Other comprehensive income</b>                                                               | <b>(1,980,318)</b>      | <b>(17,151)</b> | <b>(1,997,469)</b>     | <b>149,210</b>          | <b>(36,407)</b> | <b>112,803</b>         |
| Deferred income tax (Note 19)                                                                   |                         | <u>(17,151)</u> |                        |                         | <u>(36,407)</u> |                        |

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## 13. Earnings Per Stock Unit/Net Profit Attributable to Owners of the Parent

The calculation of basic earnings per stock unit (EPS) is based on the net profit attributable to owners of the parent and the weighted average number of stock units in issue during the year, excluding ordinary stock units purchased by the group and held as treasury stock. For the financial year the group had a weighted average of 15,940,000 (2015 – 17,220,000) treasury stock units.

For fully diluted EPS, the weighted average number of stock units in issue is adjusted to assume conversion of all potentially dilutive ordinary stock units. The net profit is also adjusted to reflect the after tax effect of income arising from the conversion of such potential ordinary stock units. For 2016 and 2015 the calculation of fully diluted earnings per stock unit is the same as basic earnings per stock unit.

|                                                             | 2016          | 2015          |
|-------------------------------------------------------------|---------------|---------------|
| Net profit attributable to stockholders (\$'000)            | 4,050,373     | 3,186,141     |
| Weighted average number of stock units in issue (thousands) | 1,050,219     | 1,048,940     |
| Basic and fully diluted earnings per stock unit (\$)        | <u>\$3.86</u> | <u>\$3.04</u> |

The net profit of the group is reflected in the records of the company, its subsidiaries, associated companies and joint venture as follows:

|                                        | 2016             | 2015             |
|----------------------------------------|------------------|------------------|
|                                        | \$'000           | \$'000           |
| <b>Net Profit</b>                      |                  |                  |
| The company                            | 1,350,222        | 625,319          |
| Associated companies and joint venture | 2,275,538        | 2,282,558        |
| Subsidiaries                           | <u>725,858</u>   | <u>346,016</u>   |
|                                        | <u>4,351,618</u> | <u>3,253,893</u> |

Net profit attributable to associated companies, subsidiaries and joint venture is shown net of dividends.

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## 14. Cash and Cash Equivalents

For the purposes of the consolidated and company statements of cash flows, cash and cash equivalents comprise the following balances with original terms to maturity not exceeding 90 days.

|                                                                                                         | The Group      |                | The Company    |                |
|---------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                                         | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Cash and bank balances                                                                                  | 56,597         | 120,123        | 13,800         | 7,325          |
| Deposits                                                                                                | 499,303        | 281,304        | 147,593        | 27,455         |
| Securities purchased under<br>agreements to resell (Note 16)                                            | 206,198        | 553,900        | 171,337        | 294,380        |
| Bank overdraft                                                                                          | (4,655)        | (8,913)        | (4,655)        | (8,913)        |
|                                                                                                         | <u>757,443</u> | <u>946,414</u> | <u>328,075</u> | <u>320,247</u> |
| Deposits with maturity exceeding 90 days                                                                | (70,597)       | -              | (67,882)       | -              |
| Securities purchased under<br>agreements to resell with original<br>terms to maturity exceeding 90 days | -              | (5,560)        | -              | (1,212)        |
| Cash and cash equivalents                                                                               | <u>686,846</u> | <u>940,854</u> | <u>260,193</u> | <u>319,035</u> |

Security for the bank overdraft includes certain specific investments. The effective rate on the overdraft facility was 14.65% (2015 – 14.65%).

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## 15. Investment Securities

|                                                         | The Group        |                  | The Company    |                |
|---------------------------------------------------------|------------------|------------------|----------------|----------------|
|                                                         | 2016<br>\$'000   | 2015<br>\$'000   | 2016<br>\$'000 | 2015<br>\$'000 |
| Financial assets at fair value through profit and loss: |                  |                  |                |                |
| Debt securities                                         | 114,083          | 98,152           | -              | -              |
| Equity securities-quoted                                | 548,861          | 364,650          | 52,884         | 38,240         |
|                                                         | <u>662,944</u>   | <u>462,802</u>   | <u>52,884</u>  | <u>38,240</u>  |
| Available-for-sale at fair value:                       |                  |                  |                |                |
| Debt securities -                                       |                  |                  |                |                |
| Government of Jamaica                                   | 118,727          | 84,468           | 65,357         | 5,838          |
| Other Government                                        | 60,147           | 60,262           | -              | -              |
| Corporate                                               | 1,150,803        | 277,022          | 201,112        | 175,645        |
| Equity securities                                       | 1,213,007        | 868,997          | 715,090        | 636,800        |
|                                                         | <u>2,542,684</u> | <u>1,290,749</u> | <u>981,559</u> | <u>818,283</u> |
| Held to maturity (debt)                                 | <u>32,237</u>    | <u>-</u>         | <u>32,237</u>  | <u>-</u>       |
| Loans and receivables                                   | <u>109,087</u>   | <u>386,145</u>   | <u>423,888</u> | <u>541,237</u> |

All of the group's financial assets at fair value through profit and loss are held for trading. Included in the available-for-sale securities above is interest receivable amounting to \$22,644,000 and \$10,136,000 (2015 - \$14,525,000 and \$7,169,000) for the group and the company respectively.

Certain of the group's and company investment securities were impaired as at 31 December, for which impairment charges totaling \$160,812,000 (2015 - \$39,117,000) for the group and \$19,854,000 (2015 - \$18,969,000) for the company were recorded.

Except for \$90,000 (2015 - \$8,375,000) all other loans and receivables for the group and the company were with related parties and include interest receivable of \$90,000 (2015 - \$25,927,000) and \$16,523,000 (2015 - \$17,339,000) for the group and company respectively. During 2016, loans and receivables totaling \$91,359,000 was settled through the exercise of stock options (Note 29)

Investment securities owned by the group with a value of US\$500,000 (2015 - US\$800,000) have been pledged as security for a margin loan (Note 25) outstanding as at 31 December.

The current portion of investment securities was \$935,575,000 (2015 - \$156,806,000) for the group and \$10,226,000 (2015 - \$124,831,000) for the company.

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## 16. Securities Purchased under Agreements to Resell

The group has entered into collateralised reverse repurchase agreements (securities purchased under agreements to resell), which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations (Note 14). All amounts were due within 12 months.

## 17. Investment Properties

|                                                     | The Group        |                  | The Company |          |
|-----------------------------------------------------|------------------|------------------|-------------|----------|
|                                                     | 2016             | 2015             | 2016        | 2015     |
|                                                     | \$'000           | \$'000           | \$'000      | \$'000   |
| At 1 January                                        | 5,194,069        | 4,913,445        | -           | -        |
| Transfer from joint venture                         | 215,862          | -                | -           | -        |
| Improvements                                        | 6,789            | 158              | -           | -        |
| Transferred from capital work-in-progress (Note 21) | 5,062            | 51,471           | -           | -        |
| Fair value gains (Note 6)                           | 161,645          | 228,995          | -           | -        |
| At 31 December                                      | <u>5,583,427</u> | <u>5,194,069</u> | <u>-</u>    | <u>-</u> |

Property income and direct expenses including repairs and maintenance in relation to investment properties are as follows:

|                        | The Group        |                  | The Company |          |
|------------------------|------------------|------------------|-------------|----------|
|                        | 2016             | 2015             | 2016        | 2015     |
|                        | \$'000           | \$'000           | \$'000      | \$'000   |
| Rental income (Note 6) | 1,220,781        | 1,253,699        | -           | -        |
| Direct costs (Note 8)  | <u>(572,731)</u> | <u>(562,445)</u> | <u>-</u>    | <u>-</u> |

Except for one property, that is still under construction and carried at cost, all other properties were valued at current market value as at 31 December by D.C. Tavares & Finson Realty Limited, independent qualified property appraisers and valuers. The values for the properties have been established using the direct capitalization approach, which uses as key inputs rental income from existing contracts, a vacancy factor which contemplates decrements in rental cash flows consequent on vacancies, and a capitalization rate, reflective of a rate of return.

The fair values of the investment property are at level 3 in the fair value hierarchy, as, consistent with the requirements of IFRS 13, certain of the inputs into the valuation process are deemed to be unobservable; those being the vacancy factor and the capitalisation rate. Management considers the rental rates used in the calculation to be observable as they represent actual rentals which are unadjusted.

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### 17. Investment Properties (Continued)

The assumptions to which the values are most sensitive are the occupancy levels, as reflected in the vacancy factor and the capitalisation factors. Vacancy factors and capitalization rates used, range from 4% to 15% (2015 – 3.5% to 15.5%) and 9.75% to 12.95% (2015 – 9.75% to 12.75%) respectively. Should the vacancy factor used increase/decrease by 0.25% the value of investment properties would decrease/increase by \$12,000,000/\$14,000,000 (2015 - \$15,000,000/\$14,000,000). Should the capitalization factor increase/decrease by 1.0% the value of investment properties would decrease/increase by \$356,000,000/\$423,000,000 (2015 - \$488,000,000/\$410,000,000).

Certain of the group's investment property has been pledged as collateral for some of the group's loan facilities, as discussed in Note 25.

### 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements

#### Investment in subsidiaries

|                        | The Group |        | The Company |         |
|------------------------|-----------|--------|-------------|---------|
|                        | 2016      | 2015   | 2016        | 2015    |
|                        | \$'000    | \$'000 | \$'000      | \$'000  |
| Subsidiary companies - |           |        |             |         |
| Balance at 1 January   | -         | -      | 395,207     | 301,510 |
| Incorporation          | -         | -      | 322,273     | 93,697  |
| Balance at 31 December | -         | -      | 717,480     | 395,207 |

Simcoe Investments Limited was incorporated during the year.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company also owns 100% of the preference shares of the subsidiaries included in the consolidation.

Net profit attributable to non-controlling interest for the year was \$301,245,000 (2015 - \$67,752,000), of which \$275,461,000 (2015 - \$32,463,000) was attributable to Scotts Preserves Limited and \$25,784,000 (2015 - \$35,289,000) to Knutsford Holdings Limited.

Summarised financial information for each material subsidiary that has a non-controlling interest.



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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in subsidiaries (continued)

#### Summarised statement of financial position

|                                                   | Knutsford Holdings<br>Limited |                | Scott's Preserves Limited |                |
|---------------------------------------------------|-------------------------------|----------------|---------------------------|----------------|
|                                                   | 2016<br>\$'000                | 2015<br>\$'000 | 2016<br>\$'000            | 2015<br>\$'000 |
| <b>Current</b>                                    |                               |                |                           |                |
| Assets                                            | 51,878                        | 144,982        | 1,040,997                 | 88,006         |
| Liabilities                                       | (21,657)                      | (29,377)       | (17,113)                  | (16,193)       |
| <i>Total current net assets</i>                   | <u>30,221</u>                 | <u>115,605</u> | <u>1,023,884</u>          | <u>71,813</u>  |
| <b>Non-current</b>                                |                               |                |                           |                |
| Assets                                            | 639,014                       | 611,262        | -                         | 150,508        |
| Financial liabilities                             | (94,515)                      | (90,581)       | (3,930)                   | (5,879)        |
| <i>Total non-current<br/>assets/(liabilities)</i> | <u>544,499</u>                | <u>520,681</u> | <u>(3,930)</u>            | <u>144,629</u> |
| <b>Net assets</b>                                 | <u>574,720</u>                | <u>636,286</u> | <u>1,019,954</u>          | <u>216,442</u> |

#### Summarised statement of comprehensive income

|                                                                     | Knutsford Holdings<br>Limited |                | Scott's Preserves Limited |                |
|---------------------------------------------------------------------|-------------------------------|----------------|---------------------------|----------------|
|                                                                     | 2016<br>\$'000                | 2015<br>\$'000 | 2016<br>\$'000            | 2015<br>\$'000 |
| Revenue                                                             | 157,663                       | 177,629        | 10,792                    | 30,000         |
| Investment income                                                   | 9,198                         | 7,843          | 22,657                    | 24,552         |
| Profit from continuing operations                                   | 81,637                        | 99,847         | 31,317                    | 99,610         |
| Taxation expense                                                    | (17,176)                      | (11,635)       | (15,665)                  | (13,042)       |
| Post tax profit from continuing operations                          | 64,461                        | 88,212         | 15,652                    | 86,568         |
| Profit from discontinued operations                                 | -                             | -              | 718,911                   | -              |
| Other comprehensive income                                          | 27                            | (2)            | -                         | -              |
| Total comprehensive income allocated to<br>non-controlling interest | <u>25,784</u>                 | <u>35,289</u>  | <u>275,461</u>            | <u>32,463</u>  |

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangement (Continued)

### Investment in subsidiaries (continued)

#### Summarised cash flows

|                                                             | Knutsford Holdings<br>Limited |                | Scott's Preserves Limited |                |
|-------------------------------------------------------------|-------------------------------|----------------|---------------------------|----------------|
|                                                             | 2016<br>\$'000                | 2015<br>\$'000 | 2016<br>\$'000            | 2015<br>\$'000 |
| <b>Cash flows from operating activities</b>                 |                               |                |                           |                |
| Cash generated from operations                              | 53,592                        | 69,695         | 59,060                    | 7,639          |
| Interest paid                                               | (16,651)                      | (16,651)       | -                         | -              |
| Income tax paid                                             | (14,072)                      | (12,424)       | (19,997)                  | (6,475)        |
| Net cash provided by operating activities                   | 22,869                        | 40,620         | 39,063                    | 1,164          |
| Net cash provided by investing activities                   | 3,428                         | 2,576          | 109,743                   | 23,722         |
| Net cash provided by financing activities                   | -                             | -              | 220                       | 258            |
| Dividends paid to equity holders                            | (126,000)                     | -              | -                         | -              |
| <b>Net (decrease)/increase in cash and cash equivalents</b> | <b>(99,703)</b>               | <b>43,196</b>  | <b>149,026</b>            | <b>25,144</b>  |
| Effect of exchange rate on cash and cash equivalent         | 6,997                         | 4,683          | 2,777                     | 631            |
| Cash and cash equivalents at beginning of year              | 140,873                       | 92,994         | 39,253                    | 13,478         |
| Cash and cash equivalents at end of year                    | 48,167                        | 140,873        | 191,056                   | 39,253         |

The information above is the amount before inter-company eliminations.

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in associated companies

|                                    | The Group         |                   | The Company      |                  |
|------------------------------------|-------------------|-------------------|------------------|------------------|
|                                    | 2016<br>\$'000    | 2015<br>\$'000    | 2016<br>\$'000   | 2015<br>\$'000   |
| Associated companies -             |                   |                   |                  |                  |
| Sagicor Group Jamaica Limited      |                   |                   |                  |                  |
| Balance at 1 January               | 16,122,460        | 15,964,827        | 6,661,717        | 6,661,717        |
| Share of profit                    | 3,517,114         | 3,053,856         | -                | -                |
| Dividends received                 | (1,368,352)       | (899,907)         | -                | -                |
| Share of reserves                  | 918,035           | (1,996,316)       | -                | -                |
|                                    | <u>19,189,257</u> | <u>16,122,460</u> | <u>6,661,717</u> | <u>6,661,717</u> |
| Hardware and Lumber Limited        |                   |                   |                  |                  |
| Balance at 1 January               | 242,225           | 226,487           | 22,296           | 22,296           |
| Share of profit                    | -                 | 34,096            | -                | -                |
| Dividends received                 | -                 | (18,358)          | -                | -                |
| Disposal                           | (242,225)         | -                 | (22,296)         | -                |
|                                    | <u>-</u>          | <u>242,225</u>    | <u>-</u>         | <u>22,296</u>    |
| New Castle Company Limited         |                   |                   |                  |                  |
| Balance at 1 January               | 287,567           | 238,510           | 177,523          | 177,523          |
| Share of profit                    | 67,583            | 60,708            | -                | -                |
| Dividends received                 | (37,523)          | (11,651)          | -                | -                |
|                                    | <u>317,627</u>    | <u>287,567</u>    | <u>177,523</u>   | <u>177,523</u>   |
| Impan Properties Limited           |                   |                   |                  |                  |
| Balance at 1 January               | (494)             | (630)             | -                | -                |
| Current account                    | -                 | 136               | -                | -                |
| Disposal                           | 494               | -                 | -                | -                |
|                                    | <u>-</u>          | <u>(494)</u>      | <u>-</u>         | <u>-</u>         |
| Caribe Hospitality Jamaica Limited |                   |                   |                  |                  |
| Shareholding at cost               | 334,188           | 344,426           | 375,001          | 375,001          |
| Share of profit/(loss)             | 26,689            | (10,238)          | -                | -                |
|                                    | <u>360,877</u>    | <u>334,188</u>    | <u>375,001</u>   | <u>375,001</u>   |

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in associated companies (continued)

|                                                       | The Group         |                   | The Company      |                  |
|-------------------------------------------------------|-------------------|-------------------|------------------|------------------|
|                                                       | 2016<br>\$'000    | 2015<br>\$'000    | 2016<br>\$'000   | 2015<br>\$'000   |
| <b>Chukka Caribbean Adventures Limited</b>            |                   |                   |                  |                  |
| Balance at 1 January                                  | 389,411           | 355,158           | 345,855          | 345,855          |
| Share of profit                                       | 22,833            | 48,271            | -                | -                |
| Dividends received                                    | (14,946)          | (14,018)          | -                | -                |
|                                                       | <u>397,298</u>    | <u>389,411</u>    | <u>345,855</u>   | <u>345,855</u>   |
| <b>Downing Street Realty Fund II Ltd Partnership</b>  |                   |                   |                  |                  |
| Balance at 1 January                                  | 181,518           | -                 | -                | -                |
| Acquisition                                           | -                 | 181,000           | -                | -                |
| Share of profit                                       | 6,329             | 518               | -                | -                |
|                                                       | <u>187,847</u>    | <u>181,518</u>    | <u>-</u>         | <u>-</u>         |
| <b>Downing Street Realty Fund V Ltd Partnership</b>   |                   |                   |                  |                  |
| Balance at 1 January                                  | 224,405           | -                 | -                | -                |
| Acquisition                                           | -                 | 219,360           | -                | -                |
| Share of (loss)/profit                                | (525)             | 5,045             | -                | -                |
|                                                       | <u>223,880</u>    | <u>224,405</u>    | <u>-</u>         | <u>-</u>         |
| <b>Downing Street Realty Fund VII Ltd Partnership</b> |                   |                   |                  |                  |
| Balance at 1 January                                  | -                 | -                 | -                | -                |
| Acquisition                                           | 195,004           | -                 | -                | -                |
| Share of profit                                       | 3,053             | -                 | -                | -                |
|                                                       | <u>198,057</u>    | <u>-</u>          | <u>-</u>         | <u>-</u>         |
|                                                       | <u>20,874,843</u> | <u>17,781,280</u> | <u>7,560,096</u> | <u>7,582,392</u> |
| <b>Comprising:</b>                                    |                   |                   |                  |                  |
| Share of net assets                                   | 19,042,923        | 15,913,060        | -                | -                |
| Intangibles assets (including goodwill)               | 1,831,920         | 1,868,220         | -                | -                |
|                                                       | <u>20,874,843</u> | <u>17,781,280</u> | <u>-</u>         | <u>-</u>         |

A portion of the group's shareholding in Sagicor Group Jamaica Limited has been pledged as collateral for loan liabilities, as discussed in Note 25 of the financial statements.

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in associated companies (continued)

The group's associated company, Sagicor Group Jamaica Limited is listed on the JSE. The JSE indicative values based on closing bids for these companies at 31 December are listed in the tables below.

|                               | <b>The Group</b>   |                   |                 |                   |
|-------------------------------|--------------------|-------------------|-----------------|-------------------|
|                               | <b>Carrying</b>    | <b>JSE</b>        | <b>Carrying</b> | <b>JSE</b>        |
|                               | <b>Value</b>       | <b>Indicative</b> | <b>Value</b>    | <b>Indicative</b> |
|                               | <b>2016</b>        | <b>2016</b>       | <b>2015</b>     | <b>2015</b>       |
|                               | <b>\$'000</b>      | <b>\$'000</b>     | <b>\$'000</b>   | <b>\$'000</b>     |
| Sagicor Group Jamaica Limited | 19,189,257         | 36,859,195        | 16,122,460      | 24,654,985        |
| Hardware and Lumber Limited   | -                  | -                 | 242,225         | 226,936           |
|                               | <u>-</u>           | <u>-</u>          | <u>242,225</u>  | <u>226,936</u>    |
|                               | <b>The Company</b> |                   |                 |                   |
|                               | <b>Carrying</b>    | <b>JSE</b>        | <b>Carrying</b> | <b>JSE</b>        |
|                               | <b>Value</b>       | <b>Indicative</b> | <b>Value</b>    | <b>Indicative</b> |
|                               | <b>2016</b>        | <b>2016</b>       | <b>2015</b>     | <b>2015</b>       |
|                               | <b>\$'000</b>      | <b>\$'000</b>     | <b>\$'000</b>   | <b>\$'000</b>     |

During the year the company accepted an offer of \$18.50 per stock unit for the sale of its 20.83% shareholding in Hardware and Lumber Limited, resulting in a gain on disposal of \$185,453,000 for the group and \$288,194,000 for the company, as further described in Note 11.

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in associated companies (continued)

The summarised information for associates that were accounted for using the equity method for the years ended 31 December 2016 and 2015 is as presented in the tables below. The summarized financial information reflects balances which are due to the equity holders of the companies.

#### Summarised statement of financial position

|                                                      | Sagicor Group<br>Jamaica<br>Limited | New Castle<br>Company<br>Limited | Chukka<br>Caribbean<br>Adventures<br>Limited | Caribe<br>Hospitality<br>Jamaica<br>Limited | Downing<br>Street<br>Fund II | Downing<br>Street<br>Fund V | Downing<br>Street<br>Fund VII |
|------------------------------------------------------|-------------------------------------|----------------------------------|----------------------------------------------|---------------------------------------------|------------------------------|-----------------------------|-------------------------------|
|                                                      | \$'000                              | \$'000                           | \$'000                                       | \$'000                                      | \$'000                       | \$'000                      | \$'000                        |
| <b>2016</b>                                          |                                     |                                  |                                              |                                             |                              |                             |                               |
| <b>Current</b>                                       |                                     |                                  |                                              |                                             |                              |                             |                               |
| Cash and cash equivalents                            | 19,042,003                          | 111,990                          | 225,147                                      | 236,627                                     | 1,176                        | 44                          | 68,648                        |
| Other current assets                                 | 16,988,407                          | 683,535                          | 656,496                                      | 36,849                                      | 9,834                        | -                           | 4,385                         |
| <b>Total current assets</b>                          | <b>36,030,410</b>                   | <b>795,525</b>                   | <b>881,643</b>                               | <b>273,476</b>                              | <b>11,010</b>                | <b>44</b>                   | <b>73,033</b>                 |
| Financial liabilities (excluding trade payables)     | (183,685,797)                       | (11,243)                         | (840,353)                                    | (274,768)                                   | (17,948)                     | (93)                        | (1,912)                       |
| Other current liabilities (including trade payables) | (14,468,109)                        | (179,576)                        | (428,377)                                    | (18,914)                                    | (13,308)                     | -                           | (4,201)                       |
| <b>Total current liabilities</b>                     | <b>(198,153,906)</b>                | <b>(190,819)</b>                 | <b>(1,268,730)</b>                           | <b>(293,682)</b>                            | <b>(31,256)</b>              | <b>(93)</b>                 | <b>(6,113)</b>                |
| <b>Non-current</b>                                   |                                     |                                  |                                              |                                             |                              |                             |                               |
| <b>Assets</b>                                        | <b>304,924,422</b>                  | <b>747,397</b>                   | <b>2,420,192</b>                             | <b>3,033,692</b>                            | <b>954,895</b>               | <b>417,413</b>              | <b>694,300</b>                |
| Financial liabilities                                | (86,389,944)                        | (3,888)                          | (1,320,850)                                  | (1,464,162)                                 | (393,099)                    | -                           | (383,511)                     |
| Other liabilities                                    | -                                   | (77,710)                         | -                                            | (222,768)                                   | -                            | -                           | -                             |
| <b>Total non-current liabilities</b>                 | <b>(86,389,944)</b>                 | <b>(81,598)</b>                  | <b>(1,320,850)</b>                           | <b>(1,686,930)</b>                          | <b>(393,099)</b>             | <b>-</b>                    | <b>(383,511)</b>              |
| <b>Net assets</b>                                    | <b>56,410,982</b>                   | <b>1,270,505</b>                 | <b>712,255</b>                               | <b>1,326,556</b>                            | <b>541,550</b>               | <b>417,364</b>              | <b>377,709</b>                |

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in associated companies (continued)

Summarised statement of financial position (continued)

|                                                            | Sagicor Group<br>Jamaica<br>Limited | Hardware<br>& Lumber<br>Limited | New Castle<br>Company<br>Limited | Chukka<br>Caribbean<br>Adventures<br>Limited | Caribe<br>Hospitality<br>Jamaica<br>Limited | Downing<br>Street<br>Fund II | Downing<br>Street<br>Fund V |
|------------------------------------------------------------|-------------------------------------|---------------------------------|----------------------------------|----------------------------------------------|---------------------------------------------|------------------------------|-----------------------------|
|                                                            | \$'000                              | \$'000                          | \$'000                           | \$'000                                       | \$'000                                      | \$'000                       | \$'000                      |
| <b>2015</b>                                                |                                     |                                 |                                  |                                              |                                             |                              |                             |
| <b>Current</b>                                             |                                     |                                 |                                  |                                              |                                             |                              |                             |
| Cash and cash equivalents                                  | 14,079,867                          | 201,176                         | 200,940                          | 62,240                                       | 25,981                                      | 85,307                       | 1,157                       |
| Other current assets                                       | 21,248,974                          | 2,546,040                       | 566,738                          | 594,014                                      | 98,999                                      | 14,225                       | 233                         |
| <b>Total current assets</b>                                | <b>35,328,841</b>                   | <b>2,747,216</b>                | <b>767,678</b>                   | <b>656,254</b>                               | <b>124,980</b>                              | <b>99,532</b>                | <b>1,390</b>                |
| Financial liabilities (excluding<br>trade payables)        | (160,301,299)                       | (131,643)                       | (10,856)                         | (596,865)                                    | (262,729)                                   | (18,598)                     | (2,701)                     |
| Other current liabilities<br>(including trade<br>payables) | (17,568,092)                        | (1,506,709)                     | (213,699)                        | (355,813)                                    | (35,420)                                    | -                            | -                           |
| <b>Total current liabilities</b>                           | <b>(177,869,391)</b>                | <b>(1,638,352)</b>              | <b>(224,555)</b>                 | <b>(952,678)</b>                             | <b>(298,149)</b>                            | <b>(18,598)</b>              | <b>(2,701)</b>              |
| <b>Non-current</b>                                         |                                     |                                 |                                  |                                              |                                             |                              |                             |
| <b>Assets</b>                                              | 266,724,821                         | 818,585                         | 621,032                          | 2,015,621                                    | 3,011,877                                   | 707,417                      | 351,477                     |
| Financial liabilities                                      | (77,604,633)                        | (25,000)                        | (5,394)                          | (944,004)                                    | (1,446,885)                                 | (299,790)                    | -                           |
| Other liabilities                                          | -                                   | (478,267)                       | (8,494)                          | (12,559)                                     | (196,208)                                   | -                            | -                           |
| <b>Total non-current liabilities</b>                       | <b>(77,604,633)</b>                 | <b>(503,267)</b>                | <b>(13,888)</b>                  | <b>(956,563)</b>                             | <b>(1,643,093)</b>                          | <b>(299,790)</b>             | <b>-</b>                    |
| <b>Net assets</b>                                          | <b>46,579,638</b>                   | <b>1,424,182</b>                | <b>1,150,267</b>                 | <b>762,634</b>                               | <b>1,195,616</b>                            | <b>488,561</b>               | <b>350,166</b>              |

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in associated companies (continued)

#### Summarised statement of comprehensive income (continued)

|                                                   | Sagicor<br>Group<br>Jamaica<br>Limited | New Castle<br>Company<br>Limited | Chukka<br>Caribbean<br>Adventures<br>Limited | Caribe<br>Hospitality<br>Jamaica<br>Limited  | Downing<br>Street<br>Fund II                | Downing<br>Street<br>Fund V  | Downing<br>Street<br>Fund VII |
|---------------------------------------------------|----------------------------------------|----------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------|------------------------------|-------------------------------|
|                                                   | \$'000                                 | \$'000                           | \$'000                                       | \$'000                                       | \$'000                                      | \$'000                       | \$'000                        |
| <b>2016</b>                                       |                                        |                                  |                                              |                                              |                                             |                              |                               |
| Revenue                                           | 59,700,875                             | 1,952,651                        | 3,651,018                                    | 997,301                                      | 31,117                                      | -                            | 14,125                        |
| Depreciation and amortisation                     | 1,000,095                              | 37,015                           | 236,084                                      | 94,817                                       | -                                           | -                            | -                             |
| Net investment/Interest income                    | 19,348,572                             | 11,807                           | -                                            | (95,470)                                     | -                                           | 33,744                       | -                             |
| Profit/(loss) from continuing operations          | 14,212,019                             | 270,331                          | 135,406                                      | 83,015                                       | 18,290                                      | (903)                        | 6,105                         |
| Taxation expense                                  | (2,953,980)                            | -                                | (21,239)                                     | -                                            | -                                           | -                            | -                             |
| Post tax profit/(loss) from continuing operations | 11,258,039                             | 270,331                          | 114,167                                      | 83,015                                       | 18,290                                      | (903)                        | 6,105                         |
| Other comprehensive income                        | 3,758,483                              | -                                | -                                            | -                                            | -                                           | -                            | -                             |
| Total comprehensive income                        | 15,016,522                             | 270,331                          | 114,167                                      | 83,015                                       | 18,290                                      | (903)                        | 6,105                         |
| Dividends received from associate                 | 1,368,352                              | 37,523                           | 14,946                                       | -                                            | -                                           | -                            | -                             |
|                                                   |                                        |                                  |                                              |                                              |                                             |                              |                               |
|                                                   | Sagicor<br>Group<br>Jamaica<br>Limited | Hardware<br>& Lumber<br>Limited  | New Castle<br>Company<br>Limited             | Chukka<br>Caribbean<br>Adventures<br>Limited | Caribe<br>Hospitality<br>Jamaica<br>Limited | Downing<br>Street<br>Fund II | Downing<br>Street<br>Fund V   |
|                                                   | \$'000                                 | \$'000                           | \$'000                                       | \$'000                                       | \$'000                                      | \$'000                       | \$'000                        |
| <b>2015</b>                                       |                                        |                                  |                                              |                                              |                                             |                              |                               |
| Revenue                                           | 54,998,042                             | 7,442,223                        | 1,309,940                                    | 3,302,934                                    | 50,860                                      | 3,995                        | 11,171                        |
| Depreciation and amortisation                     | 767,082                                | (53,495)                         | 22,505                                       | 210,090                                      | 8,022                                       | -                            | -                             |
| Net investment/Interest income                    | 16,301,588                             | 4,354                            | 13,132                                       | -                                            | (8,869)                                     | -                            | -                             |
| Profit/(loss) from continuing operations          | 11,700,799                             | 196,911                          | 242,832                                      | 241,357                                      | (25,841)                                    | 3,596                        | 8,471                         |
| Taxation expense                                  | (1,910,469)                            | (33,226)                         | -                                            | -                                            | -                                           | -                            | -                             |
| Post tax profit/(loss) from continuing operations | 9,790,330                              | 163,685                          | 242,832                                      | 241,357                                      | (25,841)                                    | 3,596                        | 8,471                         |
| Other comprehensive income                        | (6,353,307)                            | (75,962)                         | -                                            | -                                            | -                                           | -                            | -                             |
| Total comprehensive income                        | 3,437,023                              | 87,723                           | 242,832                                      | 241,357                                      | (25,841)                                    | 3,596                        | 8,471                         |
| Dividends received from associate                 | 899,907                                | 18,358                           | 11,651                                       | 14,018                                       | -                                           | -                            | -                             |



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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in associated companies (continued)

#### Reconciliation of summarised financial information

A reconciliation of summarised financial information presented to the carrying amount of its interest in associates is shown in the table below. The amounts shown in the table are the amounts attributable to the equity holders of the associated companies.

|                                            | Sagikor<br>Group<br>Jamaica<br>Limited | New<br>Castle<br>Company<br>Limited | Chukka<br>Caribbean<br>Adventures<br>Limited | Caribe<br>Hospitality<br>Jamaica<br>Limited | Downing<br>Street<br>Fund II | Downing<br>Street<br>Fund V | Downing<br>Street<br>Fund VII |
|--------------------------------------------|----------------------------------------|-------------------------------------|----------------------------------------------|---------------------------------------------|------------------------------|-----------------------------|-------------------------------|
|                                            | \$'000                                 | \$'000                              | \$'000                                       | \$'000                                      | \$'000                       | \$'000                      | \$'000                        |
| <b>2016</b>                                |                                        |                                     |                                              |                                             |                              |                             |                               |
| Opening net assets at<br>1 January         | 46,579,638                             | 1,150,267                           | 762,634                                      | 1,195,615                                   | 488,561                      | 350,166                     | -                             |
| Capital contributions                      | -                                      | -                                   | -                                            | -                                           | -                            | -                           | 390,009                       |
| Profit or loss for the period              | 11,258,039                             | 270,332                             | 114,167                                      | 83,015                                      | 18,290                       | (903)                       | 6,105                         |
| Other comprehensive income                 | 3,758,483                              | -                                   | -                                            | -                                           | -                            | -                           | -                             |
| Change in reserves                         | (849,923)                              | -                                   | -                                            | 47,926                                      | -                            | -                           | -                             |
| Adjustment                                 | -                                      | -                                   | (85,164)                                     | -                                           | -                            | -                           | -                             |
| Dividends paid                             | (4,335,255)                            | (150,094)                           | (74,732)                                     | -                                           | -                            | -                           | -                             |
| Translation (losses)/gains                 | -                                      | -                                   | (4,650)                                      | -                                           | 34,699                       | 68,101                      | (18,405)                      |
| Closing net assets at<br>31 December       | 56,410,982                             | 1,270,505                           | 712,255                                      | 1,326,556                                   | 541,550                      | 417,364                     | 377,709                       |
| Interest in associate (%)                  | 31.56%                                 | 25%                                 | 20%                                          | 32.15%                                      | 34.60%                       | 53.82%                      | 50%                           |
| Interest in associate (J\$)                | 17,805,029                             | 317,627                             | 142,451                                      | 426,488                                     | 187,386                      | 224,604                     | 188,854                       |
| Adjustment for pre-acquisition<br>goodwill | (200,041)                              | -                                   | (53,538)                                     | -                                           | -                            | -                           | -                             |
| Impairment                                 | -                                      | -                                   | -                                            | -                                           | -                            | -                           | -                             |
| Other adjustments                          | 20,988                                 | -                                   | 9,241                                        | (65,611)                                    | (3,586)                      | (724)                       | 9,203                         |
| Goodwill and intangible<br>assets          | 1,563,281                              | -                                   | 299,144                                      | -                                           | 4,047                        | -                           | -                             |
| Carrying value                             | 19,189,257                             | 317,627                             | 397,298                                      | 360,877                                     | 187,847                      | 223,880                     | 198,057                       |

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in associated companies (continued)

|                                            | Sagicor<br>Group<br>Jamaica<br>Limited | Hardware &<br>Lumber<br>Limited | New<br>Castle<br>Company<br>Limited | Chukka<br>Caribbean<br>Adventures<br>Limited | Caribe<br>Hospitality<br>Jamaica<br>Limited | Downing<br>Street<br>Fund II | Downing<br>Street<br>Fund V |
|--------------------------------------------|----------------------------------------|---------------------------------|-------------------------------------|----------------------------------------------|---------------------------------------------|------------------------------|-----------------------------|
|                                            | \$'000                                 | \$'000                          | \$'000                              | \$'000                                       | \$'000                                      | \$'000                       | \$'000                      |
| <b>2015</b>                                |                                        |                                 |                                     |                                              |                                             |                              |                             |
| Opening net assets at<br>1 January         | 45,965,214                             | 1,424,577                       | 954,038                             | 737,091                                      | 1,227,458                                   | 330,395                      | -                           |
| Capital contributions                      | -                                      | -                               | -                                   | -                                            | -                                           | 181,000                      | 368,343                     |
| Profit or loss for the period              | 9,790,330                              | 163,685                         | 242,832                             | 241,357                                      | (25,851)                                    | 3,596                        | 8,471                       |
| Other comprehensive income                 | (6,353,307)                            | (75,962)                        | -                                   | -                                            | -                                           | -                            | -                           |
| Change in reserves                         | 28,514                                 | -                               | -                                   | -                                            | (5,991)                                     | -                            | -                           |
| Adjustment                                 | -                                      | -                               | -                                   | (152,526)                                    | -                                           | -                            | -                           |
| Dividends paid                             | (2,851,113)                            | (88,118)                        | (46,603)                            | (69,384)                                     | -                                           | -                            | -                           |
| Translation gains/(losses)                 | -                                      | -                               | -                                   | 6,096                                        | -                                           | (26,430)                     | (26,648)                    |
| Closing net assets at<br>31 December       | 46,579,638                             | 1,424,182                       | 1,150,267                           | 762,634                                      | 1,195,616                                   | 488,561                      | 350,166                     |
| Interest in associate (%)                  | 31.56%                                 | 20.83%                          | 25.00%                              | 20.00%                                       | 32.15%                                      | 34.60%                       | 59.55%                      |
| Interest in associate (J\$)                | 14,701,931                             | 296,657                         | 287,567                             | 152,527                                      | 384,422                                     | 169,052                      | 208,535                     |
| Adjustment for pre-acquisition<br>goodwill | (200,041)                              | -                               | -                                   | (53,538)                                     | -                                           | -                            | -                           |
| Impairment                                 | -                                      | (85,071)                        | -                                   | -                                            | -                                           | -                            | -                           |
| Other adjustments                          | 20,988                                 | 30,639                          | -                                   | (8,722)                                      | (50,234)                                    | 8,419                        | 15,871                      |
| Goodwill and intangible<br>assets          | 1,599,581                              | -                               | -                                   | 299,144                                      | -                                           | 4,047                        | -                           |
| Carrying value                             | 16,122,460                             | 242,225                         | 287,567                             | 389,411                                      | 334,188                                     | 181,518                      | 224,405                     |

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in Joint Arrangements

The group holds a 50% shareholding in Kingchurch Property Holdings Limited ("Kingchurch"), a company that develops and manages property. During the year, the group changed how it accounts for its 50% shareholding from a joint venture to a joint operation. This change reflects the original intent of the partners in the joint operation. As a result of the change, from 1 January 2016 the group is recording its right to the assets and obligation for the liabilities of Kingchurch, rather than equity accounting for its share of the net assets.

There are no contingent liabilities relating to the group's interest in joint arrangements.

The company's investment in joint arrangements are as follows:

|                                | 2016<br>\$'000 | 2015<br>\$'000 |
|--------------------------------|----------------|----------------|
| Mavis Bank                     |                |                |
| Shareholding at cost           | 15,568         | 15,568         |
| Share of profit                | 122,230        | 68,948         |
| Disposal                       | (137,798)      | -              |
|                                | <u>-</u>       | <u>84,516</u>  |
| Kingchurch                     |                |                |
| Shareholding at cost           | 169,500        | 169,500        |
| Share of loss                  | (13,411)       | (13,411)       |
| Transferred to joint operation | (156,089)      | -              |
|                                | <u>-</u>       | <u>156,089</u> |
|                                | <u>-</u>       | <u>240,605</u> |

During the year the group disposed of its 50% shareholding in Mavis Bank Coffee Factory Limited.

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in Joint Arrangements

The summarised information for joint ventures that were accounted for using the equity method for the year ended 31 December 2015:

Summarised statement of financial position

|                                                      | Mavis Bank     |                | Kingchurch     |                |
|------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                      | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| <b>Current</b>                                       |                |                |                |                |
| Cash and cash equivalents                            | -              | 48,276         | -              | 64,026         |
| Other current assets                                 | -              | 486,439        | -              | 61,766         |
| <i>Total current assets</i>                          | -              | 534,715        | -              | 125,792        |
| Financial liabilities (excluding trade payables)     | -              | 238,588        | -              | 382,658        |
| Other current liabilities (including trade payables) | -              | 208,861        | -              | 33,361         |
| <i>Total current liabilities</i>                     | -              | 447,449        | -              | 416,019        |
| <b>Non-current</b>                                   |                |                |                |                |
| <i>Assets</i>                                        | -              | 284,226        | -              | 602,405        |
| Financial liabilities                                | -              | 714            | -              | -              |
| Other liabilities                                    | -              | 201,746        | -              | -              |
| <i>Total non-current liabilities</i>                 | -              | 202,460        | -              | -              |
| <b>Net assets</b>                                    | -              | 169,032        | -              | 312,178        |

The summarised information for the group share of joint operation for the year ended 31 December 2016:

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in Joint Arrangements

Summarised statement of financial position

|                                                      | <b>Kingchurch</b> |
|------------------------------------------------------|-------------------|
|                                                      | <b>2016</b>       |
|                                                      | <b>\$'000</b>     |
| <b>Current</b>                                       |                   |
| Cash and cash equivalents                            | 389               |
| Other current assets                                 | 20,058            |
| Total current assets                                 | <u>20,447</u>     |
| Financial liabilities (excluding trade payables)     | 19,083            |
| Other current liabilities (including trade payables) | 44,401            |
|                                                      | <u>63,484</u>     |
| <b>Non-current</b>                                   |                   |
| Assets                                               | 620,171           |
| Financial liabilities                                | 374,020           |
| Total non-current liabilities                        | <u>374,020</u>    |
| Net assets                                           | <u>203,114</u>    |

Summarised statement of comprehensive income

|                                      | <b>Kingchurch</b> |
|--------------------------------------|-------------------|
|                                      | <b>2016</b>       |
|                                      | <b>\$'000</b>     |
| Total revenue                        | <u>44,805</u>     |
| Depreciation and amortisation        | <u>768</u>        |
| Interest income                      | <u>13</u>         |
| Net profit from continuing operation | <u>3,635</u>      |

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## 18. Investment in Subsidiaries, Associated Companies and Joint Arrangements (Continued)

### Investment in Joint Arrangements (continued)

Summarised statement of comprehensive income

|                                                   | Mavis Bank     |                | Kingchurch     |                |
|---------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                   | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Revenue                                           | 1,118,047      | 1,101,583      | -              | 23,736         |
| Depreciation and amortisation                     | 22,233         | 23,106         | -              | 1,407          |
| Interest income                                   | 279            | 665            | -              | 1,166          |
| Post tax profit/(loss) from continuing operations | 106,563        | 95,282         | -              | (26,822)       |

### Reconciliation of summarised financial information

A reconciliation of summarised financial information presented to the carrying amount of its interest in joint venture is shown in the table below

|                                     | Mavis Bank     |                | Kingchurch     |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Opening net assets at 1 January     | 169,032        | 73,750         | 312,178        | -              |
| Net assets acquired during the year |                | -              | -              | 339,000        |
| Profit/(loss) for the year          | 106,563        | 95,282         |                | (26,822)       |
| Closing net assets at 31 December   | 275,595        | 169,032        | 312,178        | 312,178        |
| Interest in joint venture (%)       | 50%            | 50%            | 50%            | 50%            |
| Carrying value                      | 137,798        | 84,516         | 156,089        | 156,089        |
| Disposal                            | (137,798)      | -              | -              | -              |
| Transferred to joint operation      | -              | -              | (156,089)      | -              |

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## 19. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25%.

Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

|                          | The Group        |                 | The Company     |                |
|--------------------------|------------------|-----------------|-----------------|----------------|
|                          | 2016<br>\$'000   | 2015<br>\$'000  | 2016<br>\$'000  | 2015<br>\$'000 |
| Deferred tax assets      | 1,470            | 4,281           | 40,406          | 54,517         |
| Deferred tax liabilities | (140,087)        | (54,319)        | (107,568)       | (50,341)       |
| Net (liability)/asset    | <u>(138,617)</u> | <u>(50,038)</u> | <u>(67,162)</u> | <u>4,176</u>   |

The gross movement on the deferred income tax balance is as follows:

|                                                                      | The Group        |                 | The Company     |                |
|----------------------------------------------------------------------|------------------|-----------------|-----------------|----------------|
|                                                                      | 2016<br>\$'000   | 2015<br>\$'000  | 2016<br>\$'000  | 2015<br>\$'000 |
| Balance at 1 January                                                 | (50,038)         | (57,726)        | 4,176           | 23,190         |
| Tax (charged)/credited to income statement<br>(Note 12)              | (45,127)         | 24,839          | (31,341)        | 17,393         |
| Tax charged to components of other<br>comprehensive income (Note 12) | (43,452)         | (17,151)        | (39,997)        | (36,407)       |
| Balance at 31 December                                               | <u>(138,617)</u> | <u>(50,038)</u> | <u>(67,162)</u> | <u>4,176</u>   |

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## 19. Deferred Income Taxes (Continued)

The movement in deferred income tax assets and liabilities during the year is as follows:

|                                            | The Group                                                     |                               |                                              |                                    |                                                     |                 | Total<br>\$'000 |
|--------------------------------------------|---------------------------------------------------------------|-------------------------------|----------------------------------------------|------------------------------------|-----------------------------------------------------|-----------------|-----------------|
|                                            | Pension and<br>other post<br>employment<br>benefits<br>\$'000 | Interest<br>payable<br>\$'000 | Stock<br>compensation<br>provision<br>\$'000 | Unutilised<br>tax losses<br>\$'000 | Unrealised<br>foreign<br>exchange<br>loss<br>\$'000 | Other<br>\$'000 |                 |
| <b>Deferred income tax assets</b>          |                                                               |                               |                                              |                                    |                                                     |                 |                 |
| At 1 January 2015                          | 112,913                                                       | 7,991                         | 18,916                                       | 1,685                              | 35,943                                              | 9,115           | 186,563         |
| Credited/(charged) to the income statement | 69,193                                                        | 19,759                        | 3,336                                        | (675)                              | (36,864)                                            | (461)           | 54,288          |
| At 31 December 2015                        | 182,106                                                       | 27,750                        | 22,252                                       | 1,010                              | (921)                                               | 8,654           | 240,851         |
| Credited/(charged) to the income statement | (3,201)                                                       | (6,863)                       | 5,834                                        | 105                                | 921                                                 | 501             | (2,703)         |
| Reclassification                           | (64,825)                                                      | -                             | -                                            | -                                  | -                                                   | -               | (64,825)        |
| At 31 December 2016                        | 114,080                                                       | 20,887                        | 28,086                                       | 1,115                              | -                                                   | 9,155           | 173,323         |

|                                                  | The Group                                     |                               |                                  |                                  |                                                      |                                    | Total<br>\$'000 |
|--------------------------------------------------|-----------------------------------------------|-------------------------------|----------------------------------|----------------------------------|------------------------------------------------------|------------------------------------|-----------------|
|                                                  | Property,<br>plant and<br>equipment<br>\$'000 | Pension<br>benefits<br>\$'000 | Investment<br>property<br>\$'000 | Interest<br>receivable<br>\$'000 | Unrealised<br>foreign<br>exchange<br>gains<br>\$'000 | Investment<br>securities<br>\$'000 |                 |
| <b>Deferred income tax liabilities</b>           |                                               |                               |                                  |                                  |                                                      |                                    |                 |
| At 1 January 2015                                | 564                                           | 59,130                        | 130,148                          | 10,835                           | 34,806                                               | 8,806                              | 244,289         |
| Charged/(credited) to the income statement       | 10,669                                        | (418)                         | (68)                             | 6,863                            | 4,204                                                | 8,199                              | 29,449          |
| Charged to other comprehensive income            | -                                             | 18,739                        | -                                | -                                | -                                                    | (1,588)                            | 17,151          |
| At 31 December 2015                              | 11,233                                        | 77,451                        | 130,080                          | 17,698                           | 39,010                                               | 15,417                             | 290,889         |
| Charged/(credited) to the income statement       | 6,506                                         | (4,674)                       | 3,953                            | (8,335)                          | 22,106                                               | 22,868                             | 42,424          |
| Reclassification                                 | -                                             | (64,825)                      | -                                | -                                | -                                                    | -                                  | (64,825)        |
| Charged/(credited) to other comprehensive income | -                                             | 41,585                        | -                                | -                                | -                                                    | 1,867                              | 43,452          |
| At 31 December 2016                              | 17,739                                        | 49,537                        | 134,033                          | 9,363                            | 61,116                                               | 40,152                             | 311,940         |



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## 19. Deferred Income Taxes (Continued)

The movement in deferred income tax assets and liabilities during the year is as follows:

|                                              | The Company                                          |                            |                 |                                              |                                        |                 |
|----------------------------------------------|------------------------------------------------------|----------------------------|-----------------|----------------------------------------------|----------------------------------------|-----------------|
|                                              | Pension and other post retirement benefits<br>\$'000 | Interest payable<br>\$'000 | Other<br>\$'000 | Unrealised foreign exchange losses<br>\$'000 | Stock compensation provision<br>\$'000 | Total<br>\$'000 |
| <b>Deferred income tax assets</b>            |                                                      |                            |                 |                                              |                                        |                 |
| At 1 January 2015                            | 23,911                                               | 3,954                      | 318             | 38,417                                       | 3,840                                  | 70,440          |
| Credited/(charged) to income statement       | 36,687                                               | 18,920                     | 69              | (38,417)                                     | 3,225                                  | 20,484          |
| Charged to statement of comprehensive income | (36,407)                                             | -                          | -               | -                                            | -                                      | (36,407)        |
| At 31 December 2015                          | 24,191                                               | 22,874                     | 387             | -                                            | 7,065                                  | 54,517          |
| Credited/(charged) to income statement       | (13,729)                                             | (4,332)                    | 120             | -                                            | 3,830                                  | (14,111)        |
| At 31 December 2016                          | 10,462                                               | 18,542                     | 507             | -                                            | 10,895                                 | 40,406          |

|                                                  | The Company                             |                               |                               |                                             |                                    |                 |
|--------------------------------------------------|-----------------------------------------|-------------------------------|-------------------------------|---------------------------------------------|------------------------------------|-----------------|
|                                                  | Property, plant and equipment<br>\$'000 | Retirement benefits<br>\$'000 | Interest receivable<br>\$'000 | Unrealised foreign exchange gains<br>\$'000 | Unrealised trading gains<br>\$'000 | Total<br>\$'000 |
| <b>Deferred income tax liabilities</b>           |                                         |                               |                               |                                             |                                    |                 |
| At 1 January 2015                                | 565                                     | 9,195                         | 5,925                         | 31,565                                      | -                                  | 47,250          |
| Charged/(credited) to income statement           | (490)                                   | (418)                         | 5,185                         | (1,186)                                     | -                                  | 3,091           |
| At 31 December 2015                              | 75                                      | 8,777                         | 11,110                        | 30,379                                      | -                                  | 50,341          |
| Charged/(credited) to income statement           | 752                                     | (3,086)                       | 469                           | 15,434                                      | 3,661                              | 17,230          |
| Charged/(credited) to other comprehensive income | -                                       | 39,997                        | -                             | -                                           | -                                  | 39,997          |
| At 31 December 2016                              | 827                                     | 45,688                        | 11,579                        | 45,813                                      | 3,661                              | 107,568         |

Deferred income tax liabilities have not been established for the potential distribution of the unappropriated profits of subsidiaries as such distributions are not subject to tax.

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### 19. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position include the following:

|                                                                  | The Group        |                  | The Company      |                 |
|------------------------------------------------------------------|------------------|------------------|------------------|-----------------|
|                                                                  | 2016<br>\$'000   | 2015<br>\$'000   | 2016<br>\$'000   | 2015<br>\$'000  |
| Deferred tax assets to be recovered after more than 12 months    | 142,166          | 204,358          | 29,944           | 31,256          |
| Deferred tax assets to be recovered within 12 months             | 31,157           | 36,493           | 10,462           | 23,261          |
|                                                                  | <u>173,323</u>   | <u>240,851</u>   | <u>40,406</u>    | <u>54,517</u>   |
| Deferred tax liabilities to be settled after more than 12 months | 183,577          | 207,531          | 45,688           | 8,777           |
| Deferred tax liabilities to be settled within 12 months          | 128,363          | 83,358           | 61,880           | 41,564          |
|                                                                  | <u>(311,940)</u> | <u>(290,889)</u> | <u>(107,568)</u> | <u>(50,341)</u> |
| Net (liabilities)/assets                                         | <u>(138,617)</u> | <u>(50,038)</u>  | <u>(67,162)</u>  | <u>4,176</u>    |

### 20. Prepayments and Miscellaneous Assets

|                                    | The Group        |                  | The Company    |                |
|------------------------------------|------------------|------------------|----------------|----------------|
|                                    | 2016<br>\$'000   | 2015<br>\$'000   | 2016<br>\$'000 | 2015<br>\$'000 |
| Trade receivables                  | 32,694           | 66,574           | -              | -              |
| Inventories                        | 2,886            | 2,789            | -              | -              |
| Managed properties fees receivable | 66,468           | 63,631           | -              | -              |
| Prepaid expenses                   | 25,081           | 30,499           | 3,701          | 1,443          |
| Reinsurance receivables            | 89,029           | 102,469          | -              | -              |
| Premium receivable                 | 25,597           | 49,915           | -              | -              |
| Other receivables                  | 151,349          | 95,290           | 6,634          | 29,313         |
| Deposits                           | 3,601            | 112,754          | 3,601          | 2,818          |
| Land awaiting development          | 718,292          | 714,172          | -              | -              |
|                                    | <u>1,114,997</u> | <u>1,238,093</u> | <u>13,936</u>  | <u>33,574</u>  |

The current portion of miscellaneous assets amounted to \$393,709,000 (2015 - \$521,132,000) for the group and \$13,936,000 (2015 - \$33,574,000) for the company.

Included in other receivables are amounts due from related parties totaling \$2,954,000 (2015 - \$38,787,000) for the group and \$2,954,000 (2015 - \$21,312,000) for the company.

Land awaiting development comprises properties owned by the group which the group intends to develop for resale.

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### 21. Property, Plant and Equipment

|                                   |                             | The Group         |                        |                                 |                                         |                |                          |          |
|-----------------------------------|-----------------------------|-------------------|------------------------|---------------------------------|-----------------------------------------|----------------|--------------------------|----------|
|                                   |                             | Freehold Premises | Leasehold Improvements | Furniture, Fixtures & Equipment | Assets Capitalised under Finance Leases | Motor Vehicles | Capital Work in Progress | Total    |
| Note                              |                             | \$'000            | \$'000                 | \$'000                          | \$'000                                  | \$'000         | \$'000                   | \$'000   |
| <b>At Cost -</b>                  |                             |                   |                        |                                 |                                         |                |                          |          |
|                                   | 1 January 2015              | 65,964            | 14,325                 | 285,968                         | 17,831                                  | 46,424         | 21,648                   | 452,160  |
|                                   | Additions                   | -                 | -                      | 1,846                           | -                                       | 8,900          | 58,009                   | 68,755   |
|                                   | Transfers                   | -                 | -                      | 25,045                          | -                                       | -              | (76,516)                 | (51,471) |
|                                   | 31 December 2015            | 65,964            | 14,325                 | 312,859                         | 17,831                                  | 55,324         | 3,141                    | 469,444  |
|                                   | Transfer from joint venture | -                 | -                      | -                               | -                                       | -              | 78,371                   | 78,371   |
|                                   | Additions                   | -                 | -                      | 17,220                          | 7,424                                   | 23,950         | 303,839                  | 352,433  |
|                                   | Disposals                   | -                 | -                      | (21,194)                        | -                                       | (8,145)        | -                        | (29,339) |
|                                   | Transfers                   | -                 | -                      | 12,319                          | -                                       | -              | (17,381)                 | (5,062)  |
|                                   | 31 December 2016            | 65,964            | 14,325                 | 321,204                         | 25,255                                  | 71,129         | 367,970                  | 865,847  |
| <b>Accumulated Depreciation -</b> |                             |                   |                        |                                 |                                         |                |                          |          |
|                                   | 1 January 2015              | 11,360            | 9,711                  | 61,821                          | 2,660                                   | 39,022         | -                        | 124,574  |
|                                   | Charged for year            | 723               | 67                     | 18,174                          | 874                                     | 10,249         | -                        | 30,087   |
|                                   | 31 December 2015            | 12,083            | 9,778                  | 79,995                          | 3,534                                   | 49,271         | -                        | 154,661  |
|                                   | Charged for year            | 723               | 67                     | 17,481                          | 9,550                                   | 6,848          | -                        | 34,669   |
|                                   | Relieved on disposals       | -                 | -                      | (3,671)                         | -                                       | (8,064)        | -                        | (11,735) |
|                                   | 31 December 2016            | 12,806            | 9,845                  | 93,805                          | 13,084                                  | 48,055         | -                        | 177,595  |
| <b>Net Book Value -</b>           |                             |                   |                        |                                 |                                         |                |                          |          |
|                                   | 31 December 2016            | 53,158            | 4,480                  | 227,399                         | 12,171                                  | 23,074         | 367,970                  | 688,252  |
|                                   | 31 December 2015            | 53,881            | 4,547                  | 232,864                         | 14,297                                  | 6,053          | 3,141                    | 314,783  |

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### 21. Property, Plant and Equipment (Continued)

|                                | The Company               |                         |                                                  |                   |        |
|--------------------------------|---------------------------|-------------------------|--------------------------------------------------|-------------------|--------|
|                                | Leasehold<br>Improvements | Furniture &<br>Fixtures | Assets<br>Capitalised<br>under Finance<br>Leases | Motor<br>Vehicles | Total  |
|                                | \$'000                    | \$'000                  | \$'000                                           | \$'000            | \$'000 |
| At Cost -                      |                           |                         |                                                  |                   |        |
| 1 January and 31 December 2015 | 199                       | 11,314                  | 12,194                                           | 16,099            | 39,806 |
| Additions                      | -                         | 813                     | -                                                | 14,990            | 15,803 |
| 31 December 2016               | 199                       | 12,127                  | 12,194                                           | 31,089            | 55,609 |
| Accumulated Depreciation -     |                           |                         |                                                  |                   |        |
| 1 January 2015                 | 199                       | 4,898                   | 9,792                                            | 10,940            | 25,829 |
| Charged for the year           | -                         | 878                     | 874                                              | 3,030             | 4,782  |
| 31 December 2015               | 199                       | 5,776                   | 10,666                                           | 13,970            | 30,611 |
| Charged for the year           | -                         | 881                     | 874                                              | 2,378             | 4,133  |
| 31 December 2016               | 199                       | 6,657                   | 11,540                                           | 16,348            | 34,744 |
| Net Book Value -               |                           |                         |                                                  |                   |        |
| 31 December 2016               | -                         | 5,470                   | 654                                              | 14,741            | 20,865 |
| 31 December 2015               | -                         | 5,538                   | 1,528                                            | 2,129             | 9,195  |

### 22. Intangibles

A subsidiary of the group purchased property management solution software licences during 2015. The carrying balance at 31 December 2016 was \$40,291,000 (2015- \$60,437,000). These costs are being amortised using the straight-line method over their expected useful life.

|                     |                 |
|---------------------|-----------------|
|                     | <b>\$,000</b>   |
| 1 January 2015      | -               |
| Addition – software | <u>60,437</u>   |
| 31 December 2015    | 60,437          |
| Amortisation        | <u>(20,146)</u> |
| 31 December 2016    | <u>40,291</u>   |

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### 23. Retirement Benefits

The company and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the group's assets in separate funds administered by the company. Defined benefit plans are valued by independent actuaries annually, using the projected unit credit method.

The latest actuarial valuations were carried out as at 31 December 2016.

The Trustees are responsible for reviewing the investment portfolio mix of the plans to ensure that the assets are invested efficiently whilst maintaining the prescribed limits as set by the Regulator, within each portfolio class. The Trustees also ensures that the funding contributions are within acceptable levels.

The amounts recognised in the statement of financial position comprise:

|                                              | The Group      |                | The Company    |                |
|----------------------------------------------|----------------|----------------|----------------|----------------|
|                                              | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Assets                                       |                |                |                |                |
| (Note 23(a))                                 | -              | -              | 247,989        | 223,790        |
| Liabilities                                  |                |                |                |                |
| Funded pension obligations<br>(Note 23(a))   | 13,919         | 28,078         | -              | -              |
| Unfunded pension obligations<br>(Note 23(b)) | 514            | 537            | 514            | 537            |
| Other (Note 23(c))                           | 193,897        | 155,003        | 41,333         | 34,693         |
|                                              | <u>208,330</u> | <u>183,618</u> | <u>41,847</u>  | <u>35,230</u>  |

The expense recognised in the income statement comprises:

|                                              | The Group      |                | The Company    |                |
|----------------------------------------------|----------------|----------------|----------------|----------------|
|                                              | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Pension obligations -<br>funded (Note 23(a)) | 44,493         | 133,842        | (1,212)        | 15,659         |
| Pension obligations – unfunded (Note 23(b))  | 33             | 36             | 33             | 36             |
| Other post-employment obligations:           |                |                |                |                |
| Medical and life insurance (Note 23(c))      | 22,117         | 17,690         | 4,231          | 2,645          |
|                                              | <u>66,643</u>  | <u>151,568</u> | <u>3,052</u>   | <u>18,340</u>  |

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## 23. Retirement Benefits (Continued)

### (a) Funded pension obligations

The movement in defined benefit obligation is as follows:

|                                  | The Group      |                | The Company      |                  |
|----------------------------------|----------------|----------------|------------------|------------------|
|                                  | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000   | 2015<br>\$'000   |
| Balance at beginning of year     | 28,078         | (21,052)       | (223,790)        | (95,644)         |
| Benefit expense                  | 44,493         | 133,842        | (1,212)          | 15,659           |
| Re-measurement recognised in OCI | (41,463)       | (82,547)       | (18,654)         | (143,326)        |
| Benefits paid                    | (17,189)       | (2,165)        | (4,333)          | (479)            |
| Balance at end of year           | <u>13,919</u>  | <u>28,078</u>  | <u>(247,989)</u> | <u>(223,790)</u> |

The amounts recognised in the statement of financial position are determined as follows:

|                                                          | The Group      |                | The Company      |                  |
|----------------------------------------------------------|----------------|----------------|------------------|------------------|
|                                                          | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000   | 2015<br>\$'000   |
| Present value of funded obligations                      | 1,091,181      | 962,926        | 284,299          | 260,341          |
| Fair value of plan assets                                | (1,207,762)    | (1,039,744)    | (662,788)        | (589,027)        |
|                                                          | (116,581)      | (76,818)       | (378,489)        | (328,686)        |
| Unrecognised asset due to asset ceiling                  | 130,500        | 104,896        | 130,500          | 104,896          |
| Liability/(asset) in the statement of financial position | <u>13,919</u>  | <u>28,078</u>  | <u>(247,989)</u> | <u>(223,790)</u> |

Sagicor Group Jamaica Limited, an associated company which manages the group's pension fund assets, has invested through its pooled investment funds in ordinary stock units of the company with a fair value of \$3,386,811,000 (2015 – \$2,241,779,000).

The company has submitted a windup proposal for one of its pension plans to the Financial Services Commission and is awaiting approval.

During 2015 the Trustees approved the upgrade of benefits to the members of the pension plans. The expenses associated with this benefit upgrade are accounted for in the 2015 financial statements.

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## 23. Retirement Benefits (Continued)

### (a) Funded pension obligations

The movement in the defined benefit obligation over the year is as follows:

|                                                  | The Group        |                | The Company    |                |
|--------------------------------------------------|------------------|----------------|----------------|----------------|
|                                                  | 2016<br>\$'000   | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Balance at beginning of year                     | 962,926          | 628,185        | 260,341        | 194,767        |
| Current service cost                             | 42,267           | 21,806         | 12,704         | 5,770          |
| Interest cost                                    | 72,649           | 50,955         | 13,519         | 10,084         |
|                                                  | <u>1,077,842</u> | <u>700,946</u> | <u>286,564</u> | <u>210,621</u> |
| Re-measurements -                                |                  |                |                |                |
| (Gain)/loss from change in financial assumptions | (69,497)         | 90,013         | (14,078)       | 19,233         |
| Experience losses                                | 77,054           | 49,393         | 10,760         | 11,760         |
|                                                  | <u>7,557</u>     | <u>139,406</u> | <u>(3,318)</u> | <u>30,993</u>  |
| Members' contributions                           | 25,147           | 19,915         | 6,195          | 5,135          |
| Benefits paid                                    | (19,365)         | (17,615)       | (5,142)        | (3,585)        |
| Past service cost                                | -                | 113,002        | -              | 17,177         |
| Purchased annuities                              | -                | 7,272          | -              | -              |
| Balance at end of year                           | <u>1,091,181</u> | <u>962,926</u> | <u>284,299</u> | <u>260,341</u> |

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## 23. Retirement Benefits (Continued)

### (a) Funded pension obligations (continued)

The movement in the fair value of plan assets over the year is as follows:

|                                                                         | The Group        |                  | The Company    |                |
|-------------------------------------------------------------------------|------------------|------------------|----------------|----------------|
|                                                                         | 2016<br>\$'000   | 2015<br>\$'000   | 2016<br>\$'000 | 2015<br>\$'000 |
| Balance at beginning of year                                            | 1,039,744        | 867,048          | 589,027        | 508,222        |
| Interest income                                                         | 36,353           | 29,630           | 36,353         | 29,630         |
| Re-measurements -                                                       |                  |                  |                |                |
| Return on plan assets, excluding amounts<br>included in interest income | 42,986           | 40,579           | -              | 6,030          |
| (Loss)/gain from change in financial assumptions                        | (631)            | 4,851            | (539)          | 3,130          |
| Experience gains                                                        | 66,340           | 85,870           | 32,562         | 39,957         |
| Members' contributions                                                  | 25,147           | 19,915           | 6,195          | 5,135          |
| Employer's contributions                                                | 17,188           | 2,194            | 4,332          | 508            |
| Benefits paid                                                           | (19,365)         | (17,615)         | (5,142)        | (3,585)        |
| Purchased annuities                                                     | -                | 7,272            | -              | -              |
| Balance at end of year                                                  | <u>1,207,762</u> | <u>1,039,744</u> | <u>662,788</u> | <u>589,027</u> |

The actual return on plan assets for 2016 was \$157,108,000 and \$74,638,000 (2015 – \$160,421,000 and \$84,370,000) for the group and the company, respectively.

The expected employer and members contributions for the year 2017 are \$48,046,000 for the group and \$11,641,000 for the company.

The movement on the asset ceiling during the year is as follows:

|                                                                            | The Group      |                | The Company    |                |
|----------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                            | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Balance at beginning of year                                               | 104,896        | 217,811        | 104,896        | 217,811        |
| Change in asset ceiling, excluding amounts<br>included in interest expense | 8,916          | 18,288         | 8,916          | 18,288         |
| Re-measurement                                                             | 16,688         | (131,203)      | 16,688         | (131,203)      |
|                                                                            | <u>130,500</u> | <u>104,896</u> | <u>130,500</u> | <u>104,896</u> |



# PanJam Investment Limited

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## 23. Retirement Benefits (Continued)

### (a) Funded pension obligations (continued)

The amounts recognised in the income statement are as follows:

|                              | The Group      |                | The Company    |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Recognised past service cost | -              | 113,002        | -              | 17,177         |
| Current service cost         | 42,267         | 21,806         | 12,704         | 5,770          |
| Interest cost /(credit)      | 2,226          | (966)          | (13,916)       | (7,288)        |
| Total                        | 44,493         | 133,842        | (1,212)        | 15,659         |

The principal actuarial assumptions used were as follows:

|                          | The Group |           | The Company |           |
|--------------------------|-----------|-----------|-------------|-----------|
|                          | 2016<br>% | 2015<br>% | 2016<br>%   | 2015<br>% |
| Discount rate            | 9.0       | 8.5       | 9.0         | 8.5       |
| Future salary increases  | 8.5-10.0  | 7.0-8.5   | 10.0        | 8.5       |
| Future pension increases | 3.0       | 2.5       | 3.0         | 2.5       |
| Inflation                | 6.0       | 5.0       | 6.0         | 5.0       |

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## 23. Retirement Benefits (Continued)

### (a) Funded pension obligations (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                          | Increase/(decrease) in post-employment obligations |                                        |                                        |
|--------------------------|----------------------------------------------------|----------------------------------------|----------------------------------------|
|                          | Change in Assumption                               | Increase in Assumption                 | Decrease in Assumption                 |
| Discount rate            | 1%                                                 | (165,401)                              | 227,759                                |
| Future salary increases  | 1%                                                 | 69,856                                 | (57,655)                               |
| Future pension increases | 1%                                                 | 104,643                                | (84,621)                               |
|                          |                                                    | <b>Increase Assumption by One Year</b> | <b>Decrease Assumption by One Year</b> |
| Life expectancy          |                                                    | 8,333                                  | (8,333)                                |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

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## 23. Retirement Benefits (Continued)

### (b) Unfunded pension obligations

The amounts recognised in the statement of financial position are determined as follows:

|                                       | <u>The Group and Company</u> |                |
|---------------------------------------|------------------------------|----------------|
|                                       | 2016<br>\$'000               | 2015<br>\$'000 |
| Present value of unfunded obligations | 514                          | 537            |

The movement in the liability recognised in the statement of financial position is as follows:

|                              | <u>The Group and Company</u> |                |
|------------------------------|------------------------------|----------------|
|                              | 2016<br>\$'000               | 2015<br>\$'000 |
| Balance at beginning of year | 537                          | 528            |
| Current service cost         | 33                           | 36             |
|                              | <u>570</u>                   | <u>564</u>     |
| Re-measurements -            |                              |                |
| Experience losses            | 3                            | 32             |
|                              | <u>3</u>                     | <u>32</u>      |
| Benefits paid                | (59)                         | (59)           |
| Balance at end of year       | <u>514</u>                   | <u>537</u>     |

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## 23. Retirement Benefits (Continued)

### (c) Other post-employment obligations

In addition to pension benefits, the company and certain subsidiaries offer retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

The main actuarial assumption is a long-term increase in health costs of 8.5% per year (2015 – 8%).

Other assumptions were as for the pension plans set out above.

The amounts recognised in the statement of financial position are determined as follows:

|                                       | The Group      |                | The Company    |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Present value of unfunded obligations | 193,897        | 155,003        | 41,333         | 34,693         |

The movement in the defined benefit obligation over the year is as follows:

|                                           | The Group      |                | The Company    |                |
|-------------------------------------------|----------------|----------------|----------------|----------------|
|                                           | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Balance at beginning of year              | 155,003        | 133,330        | 34,693         | 36,254         |
| Benefit expense                           | 22,117         | 17,690         | 4,231          | 2,645          |
| Re-measurement recognised in OCI          | -              | (7,322)        | -              | (7,322)        |
| Re-measurements -                         |                |                |                |                |
| Loss from change in financial assumptions | (15,715)       | 25,718         | (2,357)        | 2,428          |
| Experience losses/(gains)                 | 36,459         | (10,985)       | 6,644          | 2,415          |
| Benefits paid                             | (3,967)        | (3,428)        | (1,878)        | (1,727)        |
| Balance at end of year                    | 193,897        | 155,003        | 41,333         | 34,693         |

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## 23. Retirement Benefits (Continued)

### (c) Other post-employment obligations (continued)

The expense recognised in the income statement is as follows:

|                                            | <u>The Group</u> |               | <u>The Company</u> |               |
|--------------------------------------------|------------------|---------------|--------------------|---------------|
|                                            | <u>2016</u>      | <u>2015</u>   | <u>2016</u>        | <u>2015</u>   |
|                                            | <u>\$'000</u>    | <u>\$'000</u> | <u>\$'000</u>      | <u>\$'000</u> |
| Current service cost                       | 9,108            | 6,603         | 1,361              | 701           |
| Interest cost                              | 13,009           | 11,087        | 2,870              | 1,944         |
| Total, included in staff costs<br>(Note 9) | <u>22,117</u>    | <u>17,690</u> | <u>4,231</u>       | <u>2,645</u>  |

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

|                                                       | <u>Change in Assumption</u> |                 |
|-------------------------------------------------------|-----------------------------|-----------------|
|                                                       | <u>Increase</u>             | <u>Decrease</u> |
|                                                       | <u>\$'000</u>               | <u>\$'000</u>   |
| Increase/(decrease) in the defined benefit obligation | 43,753                      | (33,400)        |

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### 23. Retirement Benefit (Continued)

Plan assets for the post-employment benefits are comprised as follows:

|                      | <b>The Group</b>   |            |                  |            |
|----------------------|--------------------|------------|------------------|------------|
|                      | <b>2016</b>        |            | <b>2015</b>      |            |
|                      | <b>\$'000</b>      | <b>%</b>   | <b>\$'000</b>    | <b>%</b>   |
| Equity               | 44,551             | 4          | 35,343           | 3          |
| Debt                 | 81,728             | 7          | 81,407           | 8          |
| Unitised investments | 1,081,483          | 89         | 922,994          | 89         |
|                      | <u>1,207,762</u>   | <u>100</u> | <u>1,039,744</u> | <u>100</u> |
|                      | <b>The Company</b> |            |                  |            |
|                      | <b>2016</b>        |            | <b>2015</b>      |            |
|                      | <b>\$'000</b>      | <b>%</b>   | <b>\$'000</b>    | <b>%</b>   |
| Equity               | 24,926             | 4          | 19,311           | 3          |
| Debt                 | -                  | -          | -                | -          |
| Unitised investments | 637,862            | 96         | 569,716          | 97         |
|                      | <u>662,788</u>     | <u>100</u> | <u>589,027</u>   | <u>100</u> |

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## 23. Retirement Benefits (Continued)

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will reduce the surplus or create a deficit with respect to the net assets available for benefits.

As the plan matures, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds largely represent investments in Government of Jamaica securities.

However, the group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently. See below for more details on the group's asset-liability matching strategy.

### Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

### Inflation risk

Higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). A high percentage of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will reduce the surplus or create a deficit.

### Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Funding levels are monitored on an annual basis and the current contribution rates are between 2% and 10% of pensionable salaries. The last valuation was completed effective 30 April 2015. The group considers the contribution rates to be sufficient to prevent a deficit and that the plans are adequately funded.

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## 24. Related Party Balances and Transactions

(a) The statements of financial position include the following balances with related parties and companies:

|                                             | The Group      |                | The Company      |                  |
|---------------------------------------------|----------------|----------------|------------------|------------------|
|                                             | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000   | 2015<br>\$'000   |
| Amounts due from related parties:           |                |                |                  |                  |
| First Jamaica Employees Share Purchase Plan | -              | -              | 99,992           | -                |
| Subsidiaries:                               |                |                |                  |                  |
| Busha Browne's Company Limited              | -              | -              | 12,849           | 12,176           |
| Portfolio Partners Limited                  | -              | -              | 12,035           | 1,348            |
| Castleton Investments Limited               | -              | -              | 838,626          | 934,712          |
| Jamaica Property Company Limited            | -              | -              | 235,298          | 311,841          |
| Jamaica Property Development Limited        | -              | -              | 5                | 5                |
| Scott's Preserves Limited                   | -              | -              | 729              | 506              |
| PJ-AL Corp Limited                          | -              | -              | 186,929          | 157,035          |
| Simcoe Investments Limited                  | -              | -              | 158,668          | 1,495            |
|                                             | -              | -              | <u>1,545,131</u> | <u>1,419,118</u> |
| Amounts due to related parties:             |                |                |                  |                  |
| First Jamaica Employees Share Purchase Plan | -              | -              | -                | 10,997           |
| Subsidiaries:                               |                |                |                  |                  |
| Panacea Holdings Limited                    | -              | -              | 1,765            | 1,944            |
| Panacea Insurance Limited                   | -              | -              | 11,103           | 70               |
|                                             | -              | -              | <u>12,868</u>    | <u>13,011</u>    |
| Net asset                                   | -              | -              | <u>1,532,263</u> | <u>1,406,107</u> |

The current portion of amounts due from related parties was \$734,000 (2015 - \$52,705,000) and to related parties was \$12,868,000 (2015 - \$13,011,000) for the company.

Other balances with related parties are discussed in Notes 15, 18 and 20, which deal with "investment securities", "investments in subsidiaries, associated companies and joint ventures" and "prepayments and miscellaneous assets" respectively.



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### 24. Related Party Transactions and Balances (Continued)

(b) The consolidated and company income statements include the following transactions with related parties:

|                                      | The Group      |                | The Company    |                |
|--------------------------------------|----------------|----------------|----------------|----------------|
|                                      | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Subsidiaries -                       |                |                |                |                |
| Management fees                      | -              | -              | 39,296         | 36,052         |
| Interest income                      | -              | -              | 176,206        | 153,880        |
| Interest expense                     | -              | -              | 1,084          | 881            |
| Associated companies -               |                |                |                |                |
| Dividend income                      | -              | -              | 1,420,821      | 1,014,738      |
| Other related parties -              |                |                |                |                |
| Rental income                        | -              | 87,143         | -              | -              |
| Interest and other income earned     | 12,726         | 7,269          | 7,878          | 2,724          |
| Interest and other expenses incurred | (23,840)       | (4,911)        | (245)          | (1,114)        |
| Other expenses                       | (13,033)       | (13,436)       | (10,257)       | (10,818)       |
|                                      | (13,033)       | (13,436)       | (10,257)       | (10,818)       |

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## 24. Related Party Transactions and Balances (Continued)

### (c) Key management compensation:

|                                                 | The Group      |                | The Company    |                |
|-------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                 | 2016           | 2015           | 2016           | 2015           |
|                                                 | \$'000         | \$'000         | \$'000         | \$'000         |
| Salaries and other short-term employee benefits | 171,423        | 127,899        | 93,775         | 68,148         |
| Statutory contributions                         | 13,914         | 12,104         | 7,344          | 6,449          |
| Post-employment benefits                        | 18,465         | 58,050         | 306            | 13,111         |
| Share-based compensation                        | 29,639         | 24,900         | 15,319         | 12,900         |
|                                                 | <u>233,441</u> | <u>222,953</u> | <u>116,744</u> | <u>100,608</u> |
| Directors' emoluments                           |                |                |                |                |
| Directors' fees                                 | 14,983         | 13,307         | 13,750         | 12,955         |
| Management compensation(included above)         | 82,469         | 66,455         | 45,558         | 33,357         |
|                                                 | <u>97,452</u>  | <u>79,762</u>  | <u>59,308</u>  | <u>46,312</u>  |

### (d) Loans from related parties

|                              | The Group      |               | The Company |           |
|------------------------------|----------------|---------------|-------------|-----------|
|                              | 2016           | 2015          | 2016        | 2015      |
|                              | \$'000         | \$'000        | \$'000      | \$'000    |
| Balance at beginning of year | 28,875         | 32,383        | -           | -         |
| New loans                    | 396,094        | 100,247       | -           | 100,247   |
| Repayments                   | (9,303)        | (103,755)     | -           | (100,247) |
| Interest charged             | 12,903         | 3,481         | -           | 823       |
| Interest paid                | (12,903)       | (3,481)       | -           | (823)     |
|                              | <u>415,666</u> | <u>28,875</u> | <u>-</u>    | <u>-</u>  |

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## 25. Loan Liabilities

|                                                  | Currency | Rate<br>% | Repayable     | The Group        |                  |
|--------------------------------------------------|----------|-----------|---------------|------------------|------------------|
|                                                  |          |           |               | 2016<br>\$'000   | 2015<br>\$'000   |
| Secured -                                        |          |           |               |                  |                  |
| (i) CIBC First Caribbean International Bank Ltd  | J\$      | 10.50     | 2017          | 7,707            | 19,999           |
| (ii) CIBC First Caribbean International Bank Ltd | J\$      | 9.23      | 2020          | 14,464           | 18,321           |
| (iii) Sagicor Bank Jamaica Ltd                   | J\$      | 13.25     | 2016          | -                | 995              |
| (iv) Sagicor Bank Jamaica Ltd                    | J\$      | 10.50     | 2018          | 1,419            | 2,122            |
| (v) Sagicor Bank Jamaica Ltd/DBJ                 | J\$      | 8.00      | 2021          | 21,144           | 25,758           |
| (vi) Sagicor Bank Jamaica Ltd                    | J\$      | 10.50     | 2028          | 393,103          | -                |
| (vii) Jamaica National Building Society.         | J\$      | 10.50     | 2024          | 20,369           | 20,369           |
| (viii) Jamaica National Building Society.        | J\$      | 10.50     | 2024          | 25,000           | 25,000           |
| (ix) Commercial Notes                            | J\$      | 10.85     | 2016          | -                | 596,942          |
| (x) Commercial Notes                             | J\$      | 8.81/8.29 | 2017          | 1,147,296        | 1,142,659        |
| (xi) Investment Bonds                            | J\$      | 10.85     | 2022          | 2,962,038        | 2,955,239        |
| (xii) Urban Renewal Bonds                        | J\$      | 7.04      | 2023          | 331,997          | -                |
| (xiii) Bank of Nova Scotia Jamaica Ltd           | J\$      | 9.50      | 2017          | 642              | 1,400            |
| (xiv) Bank of Nova Scotia Jamaica Ltd            | J\$      | 8.49      | 2021          | 5,379            | -                |
| (xv) Bank of Nova Scotia Jamaica Ltd             | J\$      | 8.49      | 2021          | 15,000           | -                |
| (xvi) Commercial Note                            | US\$     | 6.25      | 2016          | -                | 60,208           |
| (xvii) UBS Switzerland AG                        | US\$     | 2.90/2.55 | 2017          | 33,145           | 55,035           |
| Unsecured -                                      |          |           |               |                  |                  |
| (xviii) JN Properties Limited                    | J\$      | Variable  | No fixed date | 13,586           | 13,586           |
| (xix) Bank of Nova Scotia Jamaica Ltd            | J\$      | 9.30      | 2016          | -                | 17,805           |
| (xx) Bank of Nova Scotia Jamaica Ltd             | J\$      | 8.24      | 2017          | 20,411           | -                |
|                                                  |          |           |               | <u>5,012,700</u> | <u>4,955,438</u> |
| Interest payable                                 |          |           |               | <u>169,365</u>   | <u>225,307</u>   |
|                                                  |          |           |               | <u>5,182,065</u> | <u>5,180,745</u> |

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## 25. Loan Liabilities (Continued)

|                                      | Currency | Rate<br>% | Repayable | The Company      |                  |
|--------------------------------------|----------|-----------|-----------|------------------|------------------|
|                                      |          |           |           | 2016<br>\$'000   | 2015<br>\$'000   |
| Secured -                            |          |           |           |                  |                  |
| (ix) Commercial Notes                | J\$      | 10.85     | 2016      | -                | 596,942          |
| (x) Commercial Notes                 | J\$      | 8.81/8.29 | 2017      | 1,147,296        | 1,142,659        |
| (xi) Investment Bonds                | J\$      | 10.85     | 2022      | 2,962,038        | 2,955,239        |
| (xii) Urban Renewal Bonds            | J\$      | 7.04      | 2023      | 331,997          | -                |
| (xv) Bank of Nova Scotia Jamaica Ltd | J\$      | 8.49      | 2021      | 15,000           | -                |
|                                      |          |           |           | 4,456,331        | 4,694,840        |
| Interest payable                     |          |           |           | 168,885          | 223,709          |
|                                      |          |           |           | <u>4,625,216</u> | <u>4,918,549</u> |

The current portion of loan liabilities amounted to \$1,417,705,000 (2015 - \$981,537,000) for the group and \$1,322,577,000 (2015 - \$823,708,000) for the company.

Commercial Notes are shown net of transaction costs, which are amortised over the life of the notes. Total transaction costs amounted to \$79,393,000, (2015 - \$96,378,000) and the unamortised portion at 31 December 2016 was \$48,669,000 (2015 - \$55,160,000).

- (i) This loan was issued by CIBC FirstCaribbean International Bank Limited (FCIB) to assist with the extension of the multi-storey parking garage, construction of a well and other building upgrades. Interest on this loan is charged at CIBC FCIB's base rate less 6.35%. The loan is secured by a first mortgage over commercial lots 195 – 198 (inclusive) located at Grenada Crescent, New Kingston. The loan is scheduled to be repaid by 2017, but is repayable on demand, should such a request be made by the bank.
- (ii) This loan was issued by CIBC FirstCaribbean International Bank Limited (FCIB) to assist with elevator equipment upgrade. Interest on this loan was fixed for the first 2 years at 10.5%, following which the rate is 3.5% above the weighted average yield of the last six month Government of Jamaica Treasury Bill issued prior to the repricing date. The loan is secured by a first mortgage over commercial lots 187 – 194 (inclusive) located at Grenada Crescent, New Kingston and lots 238 – 245 (inclusive) located at 31 – 37 Barbados Avenue, New Kingston. The loan is scheduled to be repaid by 2020, but is repayable on demand, should such a request be made by the bank.
- (iii) This represented the outstanding balance on a J\$9,700,000 loan issued by Sagicor Bank Jamaica Limited. Interest was charged at a rate of 13.25% per annum. The loan was repaid in 2016.
- (iv) This represents the outstanding balance on a J\$2,900,000 loan issued by Sagicor Bank Jamaica Limited. Interest is charged at a rate of 10.50% per annum. The loan is secured by a motor vehicle and is scheduled to be repaid by 2018.

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### 25. Loan Liabilities (Continued)

- (v) This represents a loan from Development Bank of Jamaica through Sagicor Bank Jamaica Limited, for the purchase and installation of solar panels. Interest is charged a rate of 8% per annum. The loan is scheduled to be repaid by 2021.
- (vi) This represents 50% of a loan issued by Sagicor Bank Jamaica Limited to assist with the renovation to the building located at 2 – 4 King Street (former Oceana Hotel). Interest is charged at Sagicor Bank's base rate less 5.9%. The loan is secured by a first mortgage over the building and is being repaid in 144 monthly instalments ending April 2028.
- (vii) This represents the first drawdown on a J\$67,000,000 mortgage loan facility from Jamaica National Building Society, to assist with renovations to the building located at 23 – 27 Knutsford Boulevard. Interest is charged at a rate of 10.50% per annum. The loan is secured by a first mortgage over lot # 44 located at St Lucia Way, 23 – 27 Knutsford Boulevard and is scheduled to be repaid by 2024.
- (viii) This represents the second drawdown on a J\$67,000,000 mortgage loan facility from Jamaica National Building Society, to assist with the purchase of lots # 42 and 43 New Kingston. The loan is secured by a first mortgage over lot # 44 located at St Lucia Way, 23 – 27 Knutsford Boulevard and is scheduled to be repaid by 2024.
- (ix) This represented the carrying value of certain secured notes issued by the group and company in 2014 with a face value of \$600,000,000, net of issue costs. The notes matured in 2016 and were repaid.
- (x) This represents the carrying value of certain secured notes issued by the group and company in 2012 with a face value of \$1,150,000,000, net of issue costs. Interest was fixed for the first six months at 8.75% per annum, following which the rate is 2.25% above the weighted average yield of the six month Government of Jamaica Treasury Bill issued in the month prior to interest payment. At December 31, 2016 the interest rate was 8.81%. The notes are secured by certain Sagicor Group Jamaica Limited shares owned by the group. Of the total notes issued, \$200,000,000 was issued to a related party.
- (xi) This represents the carrying value of certain secured investment bonds issued by the group and company in 2015 with a face value of \$3,000,000,000, net of issue costs. Interest is fixed to August 13, 2017 at 10.85% per annum, following which the rate is 2.50% above the weighted average yield of the six month Government of Jamaica Treasury Bill prevailing at each repricing date. The notes are secured by certain Sagicor Group Jamaica Limited shares owned by the group. Of the total bonds issued, \$250,000,000 was issued to a related party.
- (xii) This represents the carrying value of urban renewal bonds issued by the group and company in 2016 with a face value of \$340,000,000, net of issue costs. Interest is fixed to June 16, 2018 at 8.05% per annum multiplied by a factor of 0.875, following which the rate is 1.50% above the weighted average yield of the six month Government of Jamaica Treasury Bill prevailing at each repricing date, multiplied by a factor of 0.875. The notes are secured by certain Sagicor Group Jamaica Limited shares owned by the group.
- (xiii) This represents a loan issued by Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 9.50% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2017.

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### 25. Loan Liabilities (Continued)

- (xiv) This represents a loan issued by the Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 8.49% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2021.
- (xv) This represents a loan issued by Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 8.49% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2021.
- (xvi) This represented the balance on a US\$1,500,000 commercial note issued by a subsidiary to assist with the purchase of real estate. The balance was repaid in 2016.
- (xvii) This represents a US\$260,000 (2015 - US\$460,000) margin loan from UBS. Interest is charged at a rate of 2.90% (2015 – 2.55%) per annum. The loan is secured by investment securities valued at US\$500,000 (2015 – US\$500,000) and is scheduled for repayment in 2017.
- (xviii) This represents a loan advanced by JN Properties Limited. The debt is unsecured, attracts interest at a variable rate and has no fixed repayment terms.
- (xix) This represented the balance on a J\$78,000,000 unsecured loan from Bank of Nova Scotia Jamaica Limited to finance insurance premiums. The balance was repaid in 2016.
- (xx) This represents the balance on a J\$60,000,000 unsecured loan from Bank of Nova Scotia Jamaica Limited to finance insurance premiums. Interest is charged at a rate of 8.24%.The balance is scheduled to be repaid in 2017.

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## 26. Finance Lease Liabilities

The finance lease obligations are as follows:

|                                              | The Group     |               | The Company |              |
|----------------------------------------------|---------------|---------------|-------------|--------------|
|                                              | 2016          | 2015          | 2016        | 2015         |
|                                              | \$'000        | \$'000        | \$'000      | \$'000       |
| Minimum lease payments under finance leases: |               |               |             |              |
| Not later than 1 year                        | 6,199         | 7,506         | 989         | 1,200        |
| Later than 1 year and not later than 5 years | 9,377         | 5,216         | -           | 900          |
|                                              | <u>15,576</u> | <u>12,722</u> | <u>989</u>  | <u>2,100</u> |
| Future finance charges                       | (3,820)       | (1,276)       | (48)        | (104)        |
| Present value of finance lease obligations   | <u>11,756</u> | <u>11,446</u> | <u>941</u>  | <u>1,996</u> |

The present value of the lease obligations is as follows:

|                                              | The Group     |               | The Company |              |
|----------------------------------------------|---------------|---------------|-------------|--------------|
|                                              | 2016          | 2015          | 2016        | 2015         |
|                                              | \$'000        | \$'000        | \$'000      | \$'000       |
| Not later than 1 year                        | 4,694         | 6,435         | 941         | 1,091        |
| Later than 1 year and not later than 5 years | 7,062         | 5,011         | -           | 905          |
|                                              | <u>11,756</u> | <u>11,446</u> | <u>941</u>  | <u>1,996</u> |

The leases are secured by certain motor vehicles owned by the group.

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### 27. Other Liabilities

|                                        | The Group      |                | The Company    |               |
|----------------------------------------|----------------|----------------|----------------|---------------|
|                                        | 2016           | 2015           | 2016           | 2015          |
|                                        | \$'000         | \$'000         | \$'000         | \$'000        |
| Dividends payable                      | 210,876        | -              | 211,006        | -             |
| Other liabilities and accrued expenses | 223,547        | 196,635        | 89,735         | 62,565        |
| Reinsurance liabilities                | 101,309        | 118,381        | -              | -             |
| Deposits                               | 35,406         | 14,130         | -              | -             |
| Trade payables                         | 23,515         | 21,763         | -              | -             |
| Accounts payable                       | 41,901         | 28,008         | 41,901         | 28,008        |
|                                        | <u>636,554</u> | <u>378,917</u> | <u>342,642</u> | <u>90,573</u> |

The current portion of other liabilities amounted to \$601,148,000 (2015 - \$364,787,000) for the group and \$342,642,000 (2015 - \$90,573,000) for the company.

### 28. Share Capital

|                                                | 2016             | 2015             |
|------------------------------------------------|------------------|------------------|
|                                                | No.              | No.              |
|                                                | '000             | '000             |
| Authorised share capital of no par value -     |                  |                  |
| Ordinary shares                                | <u>1,250,000</u> | <u>250,000</u>   |
|                                                | \$'000           | \$'000           |
| Issued and fully paid -                        |                  |                  |
| 1,066,159,890 stock units (2015 – 213,231,978) | <u>2,141,985</u> | <u>2,141,985</u> |

In May 2016, the shareholders of the company approved a split of 5 for 1 ordinary shares of the company, increasing the total authorised share capital from 250,000,000 to 1,250,000,000 ordinary shares.



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## 29. Stock Grants and Options/Equity Compensation Reserve

The company operates a Long Term Incentive Plan ("LTIP") administered by a committee of the company's Board of Directors. The company has reserved 7.5% of its authorized share capital for issue under the plan.

Under the LTIP, certain executive officers of the group are eligible to receive awards of a combination of company stock grants and stock options, once a predetermined company performance objective is met. The awards are made annually in May, and vest in four equal annual installments beginning with the first December 31 (for options) and April 30 (for grants) following the date of award. Vesting in both stock grants and stock options awarded under the plan is dependent on time-based, company and individual performance criteria. Vested options are exercisable for 7 years from the date of award. Awards of grants and options are formula-based dependent on the percentage of each awardee's base compensation at the date of award subject to the LTIP, and the fair value of stock options and stock grants awarded. The fair value of stock, and the exercise price and fair value of stock options, is set based on the closing price of the company's stock on the last trading day in March of the year in which the award is made.

Shares issued when stock grants are vested and when stock options are exercised have the same rights as other issued common shares.

During the year, grants of 952,010 (2015 – 1,484,675) shares of company stock were awarded under the plan to four executives, and 1,213,465 (2015 – 842,345) shares became fully vested and were issued.

At December 31, 2016, options over 12,468,201 (2015 – 15,953,765) shares were outstanding, 5,720,306 (2015 – 8,880,070) of which were vested and exercisable, at the prices per share as follows:

| Expiring<br>December 31 | Outstanding       | Vested           | Exercise Price |
|-------------------------|-------------------|------------------|----------------|
| 2020                    | 1,456,395         | 1,456,395        | \$11.19        |
| 2021                    | 1,989,135         | 1,041,940        | \$ 9.81        |
| 2022                    | 4,967,513         | 2,208,183        | \$11.40        |
| 2023                    | <u>4,055,158</u>  | <u>1,013,788</u> | \$18.67        |
|                         | <u>12,468,201</u> | <u>5,720,306</u> |                |

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## 29. Stock Grants and Options/Equity Compensation Reserve (Continued)

During 2016, options over 7,540,722 (2015 – none) shares were exercised at an average price of \$11.01. Of this amount, 6,755,704 shares were immediately reacquired at no cost by the employee share ownership plan as consideration for the settlement of certain related party loans totaling \$91,359,000 (Note 15). No options expired or were forfeited during the year.

The company uses the Black-Scholes option pricing model for determining the fair value of stock options awarded, which is expensed over the vesting period. The range of values of stock options awarded as at December 31, 2016, as determined using this model, was \$3.00 to \$4.38 (2015 - \$3.00 to \$4.27). The significant inputs into the model were as follows:

|                                        |                                            |
|----------------------------------------|--------------------------------------------|
| Exercise price (range in \$ per share) | \$9.81 - \$18.67 (2015 - \$9.81 - \$11.60) |
| Annual risk free rate                  | 7.8% - 8.9%                                |
| Volatility factor                      | 26.6% - 35.7%                              |
| Expected dividend yield                | 2.3% - 5.3%                                |
| Expected life (in years)               | 4.75 - 7.00                                |

Share-based compensation expense is recognised over the vesting period of each award, and is based on the total fair value of all awards expected to vest. The group and the company recognised share-based compensation in 2016 of \$29,639,000 and \$15,319,000 (2015 - \$24,900,000 and \$12,900,000), respectively. To satisfy its obligations in relation to the stock options and grants of \$21,766,000 (2015 - \$9,771,000) for the group and \$15,462,000 (2015 - \$4,833,000) for the company, the group issued shares from its holdings of treasury shares, with a cost of \$87,997,000 (2015 - \$9,966,000).

## 30. Property Revaluation Reserve

The balance represents the accumulated revaluation gains on investment properties attributable to owners of the parent, transferred from retained earnings.

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## 31. Investment and Other Reserves

These comprise:

|                                                                     | The Group        |                  | The Company      |                  |
|---------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                     | 2016             | 2015             | 2016             | 2015             |
|                                                                     | \$'000           | \$'000           | \$'000           | \$'000           |
| Fair value gains on investments                                     | 201,971          | 120,249          | 171,800          | 80,453           |
| Capital reserves                                                    | 2,632,901        | 2,615,171        | 1,337,983        | 1,337,983        |
| Capital redemption reserves                                         | 2,176            | 2,176            | 2,200            | 2,200            |
| Share of other comprehensive income of associated companies         | (56,863)         | (857,714)        | -                | -                |
|                                                                     | <u>2,780,185</u> | <u>1,879,882</u> | <u>1,511,983</u> | <u>1,420,636</u> |
| Capital reserves                                                    |                  |                  |                  |                  |
| Realised gain on sale of ESPP shares                                | 111,859          | 96,012           | -                | -                |
| Realised gain on sale of insurance operations                       | 1,161,344        | 1,161,344        | 2,688,484        | 2,688,484        |
| Realised gain on dilution of holding in subsidiaries and associates | 433,516          | 433,516          | -                | -                |
| Reserve arising on acquisition of non-controlling interest          | 623,267          | 623,267          | (1,493,255)      | (1,493,255)      |
| Other                                                               | 302,915          | 301,032          | 142,754          | 142,754          |
|                                                                     | <u>2,632,901</u> | <u>2,615,171</u> | <u>1,337,983</u> | <u>1,337,983</u> |

Fair value gains on investments for the group are shown net of deferred taxes of \$1,867,000 (2015 – \$1,588,000) with respect to revaluation adjustments to investments.

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### 32. Dividends

|                                                                                     | 2016            | 2015           |
|-------------------------------------------------------------------------------------|-----------------|----------------|
|                                                                                     | \$'000          | \$'000         |
| First interim dividend for 2016 at \$0.15 (2015 - \$0.14) per stock unit - gross    | 159,924         | 149,262        |
| Second interim dividend for 2016 at \$0.15 (2015 - \$0.14) per stock unit – gross   | 159,924         | 149,262        |
| Third interim dividend for 2016 at \$0.15 (2015 - \$0.14)<br>per stock unit – gross | 159,924         | 149,263        |
| Fourth interim dividend for 2016 at \$0.20 (2015 - \$0.15) per stock unit - gross   | 213,232         | 159,924        |
|                                                                                     | <u>693,004</u>  | <u>607,711</u> |
| Special dividends declared for 2016 at \$0.20 per stock unit (2015 – Nil)           | 213,232         | -              |
| Total dividend                                                                      | 906,236         | 607,711        |
| Less: Dividends on treasury stock                                                   | <u>(13,366)</u> | <u>(9,768)</u> |
|                                                                                     | <u>892,870</u>  | <u>597,943</u> |
| <br>                                                                                |                 |                |
| Dividends paid by the company                                                       | <u>693,004</u>  | <u>607,711</u> |
| Dividends paid by the group                                                         | <u>682,743</u>  | <u>597,943</u> |

On 27 February 2017, the company declared a dividend of \$0.20 per stock unit, amounting to \$213,232,000 for which there is no accrual in the 2016 financial statements. On 29 February 2016, the company declared a dividend of \$0.15 per share, amounting to \$159,924,000 for which there was no accrual in the 2015 financial statements.

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## 33. Cash Flows from Operating Activities

|                                                                                      | The Group   |             | The Company |           |
|--------------------------------------------------------------------------------------|-------------|-------------|-------------|-----------|
|                                                                                      | 2016        | 2015        | 2016        | 2015      |
|                                                                                      | \$'000      | \$'000      | \$'000      | \$'000    |
| Net profit                                                                           | 4,351,618   | 3,253,893   | 1,350,222   | 625,319   |
| Adjustments to reconcile net profit to cash flows provided by operating activities:  |             |             |             |           |
| Depreciation of property, plant and equipment                                        | 34,669      | 30,087      | 4,133       | 4,781     |
| Amortisation of intangibles                                                          | 20,146      | -           | -           | -         |
| Loss on disposal of property, plant and equipment                                    | 6,634       | -           | -           | -         |
| Stock compensation expense                                                           | 29,639      | 24,900      | 15,319      | 12,900    |
| Interest income                                                                      | (110,799)   | (93,054)    | (218,690)   | (184,036) |
| Finance costs                                                                        | 527,199     | 496,422     | 498,884     | 443,640   |
| Share of results of associated companies                                             | (3,643,077) | (3,192,256) | -           | -         |
| Share of results of joint venture                                                    | (53,282)    | (34,230)    | -           | -         |
| Gain on disposal of associated and joint venture companies                           | (851,082)   | -           | (288,194)   | -         |
| Income tax expense/(credit)                                                          | 99,851      | 50,614      | 34,214      | (16,340)  |
| Bad debts                                                                            | 10,010      | 9,741       | -           | -         |
| Change in retirement benefit asset/obligation                                        | 45,429      | 145,768     | (3,218)     | 15,928    |
| Fair value gains on investment properties                                            | (161,645)   | (228,995)   | -           | -         |
| Gains on foreign currency denominated investments                                    | (104,392)   | (26,174)    | (116,849)   | (66,624)  |
| Impairment of investment assets                                                      | 160,812     | 39,117      | 19,854      | 18,969    |
| Unrealised (gains)/ losses on financial assets at fair value through profit and loss | (155,213)   | 51,697      | (14,644)    | 12,918    |
|                                                                                      | 206,517     | 527,530     | 1,281,031   | 867,455   |
| Changes in operating assets and liabilities:                                         |             |             |             |           |
| Taxation recoverable                                                                 | 1,292       | (7,727)     | (2,192)     | (6,348)   |
| Other assets, net                                                                    | 41,043      | (133,389)   | 15,430      | 11,987    |
| Other liabilities, net                                                               | 30,423      | 75,121      | 41,811      | 2,442     |
|                                                                                      | 279,275     | 461,535     | 1,336,080   | 875,536   |
| Interest received                                                                    | 157,880     | 88,910      | 231,277     | 122,555   |
| Income tax paid                                                                      | (94,346)    | (91,212)    | (2,873)     | (1,054)   |
| Net cash provided by operating activities                                            | 342,809     | 459,233     | 1,564,484   | 997,037   |

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## 34. Commitments

Operating lease commitments – where the group/company is the lessor:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|                                              | The Group        |                  | The Company    |                |
|----------------------------------------------|------------------|------------------|----------------|----------------|
|                                              | 2016<br>\$'000   | 2015<br>\$'000   | 2016<br>\$'000 | 2015<br>\$'000 |
| Not later than 1 year                        | 608,198          | 510,852          | -              | -              |
| Later than 1 year and not later than 5 years | 890,147          | 1,041,391        | -              | -              |
| Later than 5 years                           | 85,941           | 93,669           | -              | -              |
|                                              | <u>1,584,286</u> | <u>1,645,912</u> | <u>-</u>       | <u>-</u>       |

## 35. Financial Risk Management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the Investment Committee, which identifies, evaluates and manages financial risks in close co-operation with the group's operating business units. The Board of Directors sets guidelines for overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

### (a) Market risk

The group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates, political risk and economic risk. Market risk is monitored by the group treasury function which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risk.

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States (US), Canadian (CAD) and Barbadian (BD) dollars. Foreign exchange risk arises from transactions for purchases and recognised assets and liabilities.

The group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The group further manages this risk by maximizing foreign currency earnings and holding foreign currency balances. In the prior year, the group also used hedge accounting to manage its foreign currency risk associated with certain of its foreign currency denominated AFS equity instruments.

#### Concentration of currency risk

The table below summarises the currencies in which the group's and company's financial assets and liabilities are denominated at 31 December:

|                                                 | The Group          |                  |               |                |                    |
|-------------------------------------------------|--------------------|------------------|---------------|----------------|--------------------|
|                                                 | 2016               |                  |               |                |                    |
|                                                 | Jamaican \$        | US\$             | CAD\$         | BD\$           | Total              |
|                                                 | J\$'000            | J\$'000          | J\$'000       | J\$'000        | J\$'000            |
| <b>Financial assets</b>                         |                    |                  |               |                |                    |
| Cash and bank balances                          | 37,233             | 18,928           | 436           | -              | 56,597             |
| Deposits                                        | 72,539             | 386,694          | 40,070        | -              | 499,303            |
| Investment securities                           | 244,914            | 2,929,892        | 4,668         | 167,478        | 3,346,952          |
| Securities purchased under agreements to resell | 155,666            | 50,532           | -             | -              | 206,198            |
| Trade and other receivables                     | 249,918            | 118,820          | -             | -              | 368,738            |
| <b>Total financial assets</b>                   | <b>760,270</b>     | <b>3,504,866</b> | <b>45,174</b> | <b>167,478</b> | <b>4,477,788</b>   |
| <b>Financial liabilities</b>                    |                    |                  |               |                |                    |
| Bank overdraft                                  | 4,655              | -                | -             | -              | 4,655              |
| Loan liabilities                                | 5,148,439          | 33,626           | -             | -              | 5,182,065          |
| Finance lease liability                         | 11,756             | -                | -             | -              | 11,756             |
| Other liabilities                               | 502,637            | 133,917          | -             | -              | 636,554            |
| <b>Total financial liabilities</b>              | <b>5,667,487</b>   | <b>167,543</b>   | <b>-</b>      | <b>-</b>       | <b>5,835,030</b>   |
| <b>Net position</b>                             | <b>(4,907,217)</b> | <b>3,337,323</b> | <b>45,174</b> | <b>167,478</b> | <b>(1,357,242)</b> |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

##### Concentration of currency risk (continued)

|                                                 | The Group          |                  |                |                |                    |
|-------------------------------------------------|--------------------|------------------|----------------|----------------|--------------------|
|                                                 | 2015               |                  |                |                |                    |
|                                                 | Jamaican \$        | US\$             | CAD\$          | BD\$           | Total              |
|                                                 | J\$'000            | J\$'000          | J\$'000        | J\$'000        | J\$'000            |
| <b>Financial assets</b>                         |                    |                  |                |                |                    |
| Cash and bank balances                          | 93,183             | 20,346           | 6,594          | -              | 120,123            |
| Deposits                                        | 2,342              | 79,102           | 199,860        | -              | 281,304            |
| Investment securities                           | 398,140            | 1,605,501        | -              | 136,055        | 2,139,696          |
| Securities purchased under agreements to resell | 81,543             | 472,357          | -              | -              | 553,900            |
| Trade and other receivables                     | 224,051            | 156,646          | 109,936        | -              | 490,633            |
| <b>Total financial assets</b>                   | <b>799,259</b>     | <b>2,333,952</b> | <b>316,390</b> | <b>136,055</b> | <b>3,585,656</b>   |
| <b>Financial liabilities</b>                    |                    |                  |                |                |                    |
| Bank overdraft                                  | 8,913              | -                | -              | -              | 8,913              |
| Loan liabilities                                | 5,064,242          | 116,503          | -              | -              | 5,180,745          |
| Finance lease liability                         | 11,446             | -                | -              | -              | 11,446             |
| Other liabilities                               | 216,624            | 162,293          | -              | -              | 378,917            |
| <b>Total financial liabilities</b>              | <b>5,301,225</b>   | <b>278,796</b>   | <b>-</b>       | <b>-</b>       | <b>5,580,021</b>   |
| <b>Net position</b>                             | <b>(4,501,966)</b> | <b>2,055,156</b> | <b>316,390</b> | <b>136,055</b> | <b>(1,994,365)</b> |



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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

##### Concentration of currency risk (continued)

|                                                 | The Company        |                  |               |                |                    |
|-------------------------------------------------|--------------------|------------------|---------------|----------------|--------------------|
|                                                 | 2016               |                  |               |                |                    |
|                                                 | Jamaican \$        | US\$             | CAD\$         | BD\$           | Total              |
|                                                 | J\$'000            | J\$'000          | J\$'000       | J\$'000        | J\$'000            |
| <b>Financial assets</b>                         |                    |                  |               |                |                    |
| Cash and bank balances                          | 5,381              | 8,419            |               | -              | 13,800             |
| Deposits                                        | 20,015             | 93,461           | 34,117        | -              | 147,593            |
| Investment securities                           | 301,590            | 1,019,757        | 1,743         | 167,478        | 1,490,568          |
| Securities purchased under agreements to resell | 145,609            | 25,728           | -             | -              | 171,337            |
| Due from related parties                        | 360,908            | 1,184,223        | -             | -              | 1,545,131          |
| Receivables                                     | 10,235             | -                | -             | -              | 10,235             |
| <b>Total financial assets</b>                   | <b>843,738</b>     | <b>2,331,588</b> | <b>35,860</b> | <b>167,478</b> | <b>3,378,664</b>   |
| <b>Financial liabilities</b>                    |                    |                  |               |                |                    |
| Bank overdraft                                  | 4,655              | -                | -             | -              | 4,655              |
| Due to related parties                          | 3,134              | 9,734            | -             | -              | 12,868             |
| Loan liabilities                                | 4,625,216          | -                | -             | -              | 4,625,216          |
| Finance lease liability                         | 941                | -                | -             | -              | 941                |
| Other liabilities                               | 342,642            | -                | -             | -              | 342,642            |
| <b>Total financial liabilities</b>              | <b>4,976,588</b>   | <b>9,734</b>     | <b>-</b>      | <b>-</b>       | <b>4,986,322</b>   |
| <b>Net position</b>                             | <b>(4,132,850)</b> | <b>2,321,854</b> | <b>35,860</b> | <b>167,478</b> | <b>(1,607,658)</b> |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

##### Concentration of currency risk (continued)

|                                                 | The Company        |                  |                |                    |
|-------------------------------------------------|--------------------|------------------|----------------|--------------------|
|                                                 | 2015               |                  |                |                    |
|                                                 | Jamaican \$        | US\$             | BD\$           | Total              |
|                                                 | J\$'000            | J\$'000          | J\$'000        | J\$'000            |
| <b>Financial assets</b>                         |                    |                  |                |                    |
| Cash and bank balances                          | 6,325              | 1,000            | -              | 7,325              |
| Deposits                                        | -                  | 27,455           | -              | 27,455             |
| Investment securities                           | 421,668            | 840,037          | 136,055        | 1,397,760          |
| Securities purchased under agreements to resell | 73,885             | 220,495          | -              | 294,380            |
| Due from related parties                        | 327,370            | 1,091,748        | -              | 1,419,118          |
| Receivables                                     | 32,131             | -                | -              | 32,131             |
| <b>Total financial assets</b>                   | <b>861,379</b>     | <b>2,180,735</b> | <b>136,055</b> | <b>3,178,169</b>   |
| <b>Financial liabilities</b>                    |                    |                  |                |                    |
| Bank overdraft                                  | 8,913              | -                | -              | 8,913              |
| Due to related parties                          | 13,011             | -                | -              | 13,011             |
| Loan liabilities                                | 4,918,549          | -                | -              | 4,918,549          |
| Finance lease liability                         | 1,996              | -                | -              | 1,996              |
| Other liabilities                               | 90,573             | -                | -              | 90,573             |
| <b>Total financial liabilities</b>              | <b>5,033,042</b>   | <b>-</b>         | <b>-</b>       | <b>5,033,042</b>   |
| <b>Net position</b>                             | <b>(4,171,663)</b> | <b>2,180,735</b> | <b>136,055</b> | <b>(1,854,873)</b> |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

##### *Foreign currency sensitivity*

The following tables indicate the currencies to which the group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency-denominated financial instruments and adjusts their translation at the year-end for a 6% increase and 1% decrease (2015 - 8% increase and 1% decrease) in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange (gains)/losses on translation of US dollar-denominated monetary financial securities classified as available for sale and fair value through profit and loss and foreign exchange (losses)/gains on translation of US dollar-denominated borrowings. The sensitivity of the profit or loss also considered the foreign exchange gains/ (losses) on certain available-for-sale equity instruments which were part of the previously discussed hedging relationship. The sensitivity of other components of equity was as result of translation gains/ (losses) on the other foreign currency denominated equities classified as available-for-sale, which were not a part of the hedging relationship.

|           | The Group                       |                                   |                                               |                                 |                                   |                                               |
|-----------|---------------------------------|-----------------------------------|-----------------------------------------------|---------------------------------|-----------------------------------|-----------------------------------------------|
|           | % Change<br>in Currency<br>Rate | Effect on<br>Profit<br>before Tax | Effect on<br>other<br>Components<br>of Equity | % Change in<br>Currency<br>Rate | Effect on<br>Profit<br>before Tax | Effect on<br>other<br>Components<br>of Equity |
|           |                                 |                                   |                                               |                                 |                                   |                                               |
|           |                                 | 2016                              | 2016                                          | 2015                            | 2015                              | 2015                                          |
|           | \$'000                          | \$'000                            |                                               | \$'000                          | \$'000                            |                                               |
| Currency: |                                 |                                   |                                               |                                 |                                   |                                               |
| USD       | 6%                              | 134,842                           | 65,397                                        | 8%                              | 97,641                            | 66,237                                        |
| USD       | -1%                             | (22,474)                          | (10,900)                                      | -1%                             | (12,205)                          | (8,346)                                       |
| BD        | 6%                              | -                                 | 10,049                                        | 8%                              | -                                 | 10,884                                        |
| BD        | -1%                             | -                                 | (1,675)                                       | -1%                             | -                                 | (1,361)                                       |
| CAD       | 6%                              | 2,430                             | 280                                           | 8%                              | 25,311                            | -                                             |
| CAD       | -1%                             | (405)                             | (47)                                          | -1%                             | (3,164)                           | -                                             |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

|                  | The Company                  |                                      |                                               |                                 |                                   |                                               |
|------------------|------------------------------|--------------------------------------|-----------------------------------------------|---------------------------------|-----------------------------------|-----------------------------------------------|
|                  | % Change in<br>Currency Rate | Effect on<br>Profit<br>before<br>Tax | Effect on<br>other<br>Components<br>of Equity | % Change in<br>Currency<br>Rate | Effect on<br>Profit<br>before Tax | Effect on<br>other<br>Components<br>of Equity |
|                  | 2016                         | 2016<br>\$'000                       | 2016<br>\$'000                                | 2015                            | 2015<br>\$'000                    | 2015<br>\$'000                                |
| <b>Currency:</b> |                              |                                      |                                               |                                 |                                   |                                               |
| USD              | 6%                           | 107,638                              | 31,673                                        | 8%                              | 132,724                           | 41,735                                        |
| USD              | -1%                          | (17,940)                             | (5,279)                                       | -1%                             | (16,590)                          | (5,217)                                       |
| BD               | 6%                           | -                                    | 10,049                                        | 8%                              |                                   | 10,884                                        |
| BD               | -1%                          | -                                    | (1,675)                                       | -1%                             |                                   | (1,361)                                       |
| CAD              | 6%                           | 2,047                                | 105                                           |                                 | -                                 | -                                             |
| CAD              | -1%                          | (341)                                | (17)                                          |                                 | -                                 | -                                             |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the group and company to cash flow interest risk, whereas fixed interest rate instruments expose the group to fair value interest risk.

The group's and company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The following tables summarise the group's and the company's exposure to interest rate risk. It includes the group and company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

|                                                       | The Group                   |                            |                             |                           |                           |                                       | Total<br>\$'000    |
|-------------------------------------------------------|-----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------------------|--------------------|
|                                                       | Within 1<br>Month<br>\$'000 | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over 5<br>Years<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 |                    |
|                                                       | <b>At 31 December 2016:</b> |                            |                             |                           |                           |                                       |                    |
| <b>Financial assets</b>                               |                             |                            |                             |                           |                           |                                       |                    |
| Cash and bank balances                                | 53,269                      | -                          | -                           | -                         | -                         | 3,328                                 | 56,597             |
| Deposits                                              | 428,706                     | -                          | 67,882                      | -                         | 2,715                     | -                                     | 499,303            |
| Investment securities                                 | 848,746                     | -                          | 70,956                      | 328,932                   | 336,452                   | 1,761,866                             | 3,346,952          |
| Securities purchased<br>under agreements to<br>resell | 170,413                     | 35,785                     | -                           | -                         | -                         | -                                     | 206,198            |
| Trade and other<br>receivables                        | 3,601                       | -                          | -                           | -                         | -                         | 365,137                               | 368,738            |
| <b>Total financial assets</b>                         | <b>1,504,735</b>            | <b>35,785</b>              | <b>138,838</b>              | <b>328,932</b>            | <b>339,167</b>            | <b>2,130,331</b>                      | <b>4,477,788</b>   |
| <b>Financial liabilities</b>                          |                             |                            |                             |                           |                           |                                       |                    |
| Bank overdraft                                        | 4,655                       | -                          | -                           | -                         | -                         | -                                     | 4,655              |
| Loan liabilities                                      | 1,752,037                   | 34,875                     | 2,962,680                   | 373,517                   | 58,956                    | -                                     | 5,182,065          |
| Finance lease liability                               | -                           | -                          | 941                         | 10,815                    | -                         | -                                     | 11,756             |
| Other liabilities                                     | 3,601                       | -                          | -                           | -                         | -                         | 632,953                               | 636,554            |
| <b>Total financial liabilities</b>                    | <b>1,760,293</b>            | <b>34,875</b>              | <b>2,963,621</b>            | <b>384,332</b>            | <b>58,956</b>             | <b>632,953</b>                        | <b>5,835,030</b>   |
| <b>Total interest repricing gap</b>                   | <b>(255,558)</b>            | <b>910</b>                 | <b>(2,824,783)</b>          | <b>(55,400)</b>           | <b>280,211</b>            | <b>1,497,378</b>                      | <b>(1,357,242)</b> |
| <b>Cumulative interest<br/>repricing gap</b>          | <b>(255,558)</b>            | <b>(254,648)</b>           | <b>(3,079,431)</b>          | <b>(3,134,831)</b>        | <b>(2,854,620)</b>        | <b>(1,357,242)</b>                    |                    |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (continued)

|                                                       | The Group                   |                            |                             |                           |                           |                                       | Total<br>\$'000    |
|-------------------------------------------------------|-----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------------------|--------------------|
|                                                       | Within 1<br>Month<br>\$'000 | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over 5<br>Years<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 |                    |
|                                                       |                             |                            |                             |                           |                           |                                       |                    |
| <b>At 31 December 2015:</b>                           |                             |                            |                             |                           |                           |                                       |                    |
| <b>Financial assets</b>                               |                             |                            |                             |                           |                           |                                       |                    |
| Cash and bank balances                                | 112,890                     | -                          | -                           | -                         | -                         | 7,233                                 | 120,123            |
| Deposits                                              | 278,962                     | -                          | -                           | -                         | 2,342                     | -                                     | 281,304            |
| Investment securities                                 | 260,977                     | 1,234                      | -                           | 186,655                   | 457,183                   | 1,233,647                             | 2,139,696          |
| Securities purchased<br>under agreements to<br>resell | 424,054                     | 129,846                    | -                           | -                         | -                         | -                                     | 553,900            |
| Trade and other<br>receivables                        | 2,818                       | -                          | 109,936                     | -                         | -                         | 377,879                               | 490,633            |
| <b>Total financial assets</b>                         | <b>1,079,701</b>            | <b>131,080</b>             | <b>109,936</b>              | <b>186,655</b>            | <b>459,525</b>            | <b>1,618,759</b>                      | <b>3,585,656</b>   |
| <b>Financial liabilities</b>                          |                             |                            |                             |                           |                           |                                       |                    |
| Bank overdraft                                        | 8,913                       | -                          | -                           | -                         | -                         | -                                     | 8,913              |
| Loan liabilities                                      | 1,463,902                   | 78,549                     | 596,942                     | 2,982,396                 | 58,956                    | -                                     | 5,180,745          |
| Finance lease liability                               | -                           | -                          | 1,955                       | 9,491                     | -                         | -                                     | 11,446             |
| Other liabilities                                     | 2,820                       | -                          | -                           | -                         | -                         | 376,097                               | 378,917            |
| <b>Total financial liabilities</b>                    | <b>1,475,635</b>            | <b>78,549</b>              | <b>598,897</b>              | <b>2,991,887</b>          | <b>58,956</b>             | <b>376,097</b>                        | <b>5,580,021</b>   |
| <b>Total interest repricing gap</b>                   | <b>(395,934)</b>            | <b>52,531</b>              | <b>(488,961)</b>            | <b>(2,805,232)</b>        | <b>400,569</b>            | <b>1,242,662</b>                      | <b>(1,994,365)</b> |
| <b>Cumulative interest<br/>repricing gap</b>          | <b>(395,934)</b>            | <b>(343,403)</b>           | <b>(832,364)</b>            | <b>(3,637,596)</b>        | <b>(3,237,027)</b>        | <b>(1,994,365)</b>                    |                    |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (continued)

|                                                    | The Company                 |                            |                             |                           |                           |                                   | Total<br>\$'000    |
|----------------------------------------------------|-----------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------------|--------------------|
|                                                    | Within 1<br>Month<br>\$'000 | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Non-Interest<br>Bearing<br>\$'000 |                    |
| <b>At 31 December 2016:</b>                        |                             |                            |                             |                           |                           |                                   |                    |
| <b>Financial assets</b>                            |                             |                            |                             |                           |                           |                                   |                    |
| Cash and bank balances                             | 13,800                      | -                          | -                           | -                         | -                         | -                                 | 13,800             |
| Deposits                                           | 79,711                      | -                          | 67,882                      | -                         | -                         | -                                 | 147,593            |
| Investment securities                              | 90                          | -                          | -                           | 524,929                   | 197,575                   | 767,974                           | 1,490,568          |
| Securities purchased under<br>agreements to resell | 145,609                     | 25,728                     | -                           | -                         | -                         | -                                 | 171,337            |
| Due from related parties                           | -                           | -                          | -                           | 1,232,592                 | 186,929                   | 125,610                           | 1,545,131          |
| Receivables                                        | 3,601                       | -                          | -                           | -                         | -                         | 6,634                             | 10,235             |
| <b>Total financial assets</b>                      | <b>242,811</b>              | <b>25,728</b>              | <b>67,882</b>               | <b>1,757,521</b>          | <b>384,504</b>            | <b>900,218</b>                    | <b>3,378,664</b>   |
| <b>Financial liabilities</b>                       |                             |                            |                             |                           |                           |                                   |                    |
| Bank overdraft                                     | 4,655                       | -                          | -                           | -                         | -                         | -                                 | 4,655              |
| Due to related parties                             | -                           | -                          | 9,734                       | -                         | -                         | 3,134                             | 12,868             |
| Loan liabilities                                   | 1,316,182                   | -                          | 2,962,038                   | 346,996                   | -                         | -                                 | 4,625,216          |
| Finance lease liabilities                          | -                           | -                          | 941                         | -                         | -                         | -                                 | 941                |
| Other liabilities                                  | 3,601                       | -                          | -                           | -                         | -                         | 339,041                           | 342,642            |
| <b>Total financial liabilities</b>                 | <b>1,324,438</b>            | <b>-</b>                   | <b>2,972,713</b>            | <b>346,996</b>            | <b>-</b>                  | <b>342,175</b>                    | <b>4,986,322</b>   |
| <b>Total interest repricing gap</b>                | <b>(1,081,627)</b>          | <b>25,728</b>              | <b>(2,904,831)</b>          | <b>1,410,525</b>          | <b>384,504</b>            | <b>558,043</b>                    | <b>(1,607,658)</b> |
| <b>Cumulative interest repricing<br/>gap</b>       | <b>(1,081,627)</b>          | <b>(1,055,899)</b>         | <b>(3,960,730)</b>          | <b>(2,550,205)</b>        | <b>(2,165,701)</b>        | <b>(1,607,658)</b>                |                    |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (continued)

|                                                    | The Company        |                  |                    |                    |                    |                         | Total<br>\$'000    |
|----------------------------------------------------|--------------------|------------------|--------------------|--------------------|--------------------|-------------------------|--------------------|
|                                                    | Within 1<br>Month  | 1 to 3<br>Months | 3 to 12<br>Months  | 1 to 5<br>Years    | Over<br>5 Years    | Non-Interest<br>Bearing |                    |
|                                                    | \$'000             | \$'000           | \$'000             | \$'000             | \$'000             | \$'000                  |                    |
| <b>At 31 December 2015:</b>                        |                    |                  |                    |                    |                    |                         |                    |
| <b>Financial assets</b>                            |                    |                  |                    |                    |                    |                         |                    |
| Cash and bank balances                             | 7,325              | -                | -                  | -                  | -                  | -                       | 7,325              |
| Deposits                                           | 27,455             | -                | -                  | -                  | -                  | -                       | 27,455             |
| Investment securities                              | 126,037            | -                | -                  | 344,966            | 162,524            | 764,233                 | 1,397,760          |
| Securities purchased under<br>agreements to resell | 206,377            | 88,003           | -                  | -                  | -                  | -                       | 294,380            |
| Due from related parties                           | -                  | -                | -                  | 1,207,965          | 145,081            | 66,072                  | 1,419,118          |
| Receivables                                        | 2,818              | -                | -                  | -                  | -                  | 29,313                  | 32,131             |
| <b>Total financial assets</b>                      | <b>370,012</b>     | <b>88,003</b>    | <b>-</b>           | <b>1,552,931</b>   | <b>307,605</b>     | <b>859,618</b>          | <b>3,178,169</b>   |
| <b>Financial liabilities</b>                       |                    |                  |                    |                    |                    |                         |                    |
| Bank overdraft                                     | 8,913              | -                | -                  | -                  | -                  | -                       | 8,913              |
| Due to related parties                             | -                  | -                | -                  | -                  | -                  | 13,011                  | 13,011             |
| Loan liabilities                                   | 1,366,368          | -                | 596,942            | 2,955,239          | -                  | -                       | 4,918,549          |
| Finance lease liabilities                          | -                  | -                | -                  | 1,996              | -                  | -                       | 1,996              |
| Other liabilities                                  | 2,820              | -                | -                  | -                  | -                  | 87,753                  | 90,573             |
| <b>Total financial liabilities</b>                 | <b>1,378,101</b>   | <b>-</b>         | <b>596,942</b>     | <b>2,957,235</b>   | <b>-</b>           | <b>100,764</b>          | <b>5,033,042</b>   |
| <b>Total interest repricing gap</b>                | <b>(1,008,089)</b> | <b>88,003</b>    | <b>(596,942)</b>   | <b>(1,404,304)</b> | <b>307,605</b>     | <b>758,854</b>          | <b>(1,854,873)</b> |
| <b>Cumulative interest repricing<br/>gap</b>       | <b>(1,008,089)</b> | <b>(920,086)</b> | <b>(1,517,028)</b> | <b>(2,921,332)</b> | <b>(2,613,727)</b> | <b>(1,854,873)</b>      |                    |



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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (continued)

##### *Interest rate sensitivity*

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the group's and company's income statement and stockholders' equity.

The group's and company's interest rate risk arises from investment securities, securities purchased under agreements to resell and long term borrowings. The sensitivity of the income statement is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and floating rate liabilities. The sensitivity of other components of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

|                                |             | The Group                                       |                                                     | The Company                                     |                                                     |
|--------------------------------|-------------|-------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|-----------------------------------------------------|
|                                |             | Effect on Profit before Taxation 2016<br>\$'000 | Effect on Other Components of Equity 2016<br>\$'000 | Effect on Profit before Taxation 2016<br>\$'000 | Effect on Other Components of Equity 2016<br>\$'000 |
| <b>Change in basis points:</b> |             |                                                 |                                                     |                                                 |                                                     |
| <b>2016</b>                    | <b>2016</b> |                                                 |                                                     |                                                 |                                                     |
| JA\$                           | US\$        |                                                 |                                                     |                                                 |                                                     |
| +100                           | +100        | (5,403)                                         | (6,036)                                             | (4,726)                                         | (5,733)                                             |
| -100                           | -50         | 6,994                                           | 6,392                                               | 4,890                                           | 6,231                                               |

|                                |             | The Group                                       |                                                     | The Company                                     |                                                     |
|--------------------------------|-------------|-------------------------------------------------|-----------------------------------------------------|-------------------------------------------------|-----------------------------------------------------|
|                                |             | Effect on Profit before Taxation 2015<br>\$'000 | Effect on Other Components of Equity 2015<br>\$'000 | Effect on Profit before Taxation 2015<br>\$'000 | Effect on Other Components of Equity 2015<br>\$'000 |
| <b>Change in basis points:</b> |             |                                                 |                                                     |                                                 |                                                     |
| <b>2015</b>                    | <b>2015</b> |                                                 |                                                     |                                                 |                                                     |
| JA\$                           | US\$        |                                                 |                                                     |                                                 |                                                     |
| +100                           | +100        | (5,247)                                         | (6,609)                                             | (7,413)                                         | (5,348)                                             |
| -150                           | -50         | 12,576                                          | 4,005                                               | 13,321                                          | 2,835                                               |

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## 35. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The group and company are exposed to equity price risk because of investments held by the group and company classified on the respective statements of financial position either as available-for-sale or at fair value through profit or loss. The group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact on total stockholders' equity (before tax) of a 20% (2015 -20%) increase/decrease in equity prices is an increase/decrease of \$352,374,000 and \$153,595,000 (2015 – \$246,730,000 and \$135,008,000) for the group and company respectively.

### (b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group and company have policies in place to ensure that property rentals and services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. The group manages its credit risk by screening its customers, establishing credit limits, obtaining bankers' guarantees or collateral for loans where applicable, the rigorous follow-up of receivables and ensuring investments are low-risk or, are held with sound financial institutions.

#### (i) Trade receivables

Trade receivables relate mainly to tenants of the group's commercial properties. Receivables are monitored and followed up on a regular basis and provisions made as deemed necessary based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

#### (ii) Investments

The group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

#### (iii) Guarantees

The group's policy is not to provide financial guarantees to any other party than wholly-owned subsidiaries.

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## 35. Financial Risk Management (Continued)

### (b) Credit risk (continued)

#### Maximum exposure to credit risk

|                                                                                              | Maximum exposure |                  |                  |                  |
|----------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                              | The Group        |                  | Company          |                  |
|                                                                                              | 2016             | 2015             | 2016             | 2015             |
|                                                                                              | \$'000           | \$'000           | \$'000           | \$'000           |
| Credit risk exposures relating to on statement of financial position items are as follows:   |                  |                  |                  |                  |
| <b>Assets:</b>                                                                               |                  |                  |                  |                  |
| Cash and bank balances                                                                       | 56,597           | 120,123          | 13,800           | 7,325            |
| Deposits                                                                                     | 499,303          | 281,304          | 147,593          | 27,455           |
| Financial assets at fair value through profit and loss                                       | 114,083          | 98,152           | -                | -                |
| Available-for-sale securities                                                                | 1,329,677        | 421,752          | 266,469          | 181,483          |
| Held-to-maturity                                                                             | 32,237           | -                | 32,237           | -                |
| Loans and receivables                                                                        | 109,087          | 386,145          | 423,888          | 541,237          |
| Securities purchased under agreements to resell                                              | 206,198          | 553,900          | 171,337          | 294,380          |
| Trade and other receivables                                                                  | 368,738          | 490,633          | 10,235           | 32,131           |
| Due from related parties                                                                     | -                | -                | 1,545,131        | 1,419,118        |
|                                                                                              | <u>2,715,920</u> | <u>2,352,009</u> | <u>2,610,690</u> | <u>2,503,129</u> |
| Credit risk exposures relating to assets not recorded on the statement of financial position |                  |                  |                  |                  |
| Lease commitments                                                                            | <u>1,584,286</u> | <u>1,645,912</u> | <u>-</u>         | <u>-</u>         |

The above table represents a worst case scenario of credit risk exposure to the group and company at 31 December 2016 and 2015, without taking account of any collateral held or other credit enhancements. For assets carried on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. An impairment loss was recognised for the year ended 31 December 2016 of \$160,812,000 (2015 - \$39,116,000) for the group and \$19,854,000 (2015 - \$18,969,000) for the company for certain investment securities.

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### 35. Financial Risk Management (Continued)

#### (b) Credit risk (continued)

##### (i) Trade and managed properties receivables

The following table summarises the group's and company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

|                                   | The Group      |                | The Company    |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Commercial                        | 51,692         | 66,926         | -              | -              |
| Retail                            | 14,934         | 27,253         | -              | -              |
| Managed properties                | 66,468         | 63,631         | -              | -              |
|                                   | <u>133,094</u> | <u>157,810</u> | <u>-</u>       | <u>-</u>       |
| Less: Provision for credit losses | (33,932)       | (27,605)       | -              | -              |
|                                   | <u>99,162</u>  | <u>130,205</u> | <u>-</u>       | <u>-</u>       |

Credit quality of trade receivables are summarised as follows:

|                                   | The Group      |                | The Company    |                |
|-----------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| Neither past due nor impaired -   |                |                |                |                |
| Standard                          | 58,542         | 80,140         | -              | -              |
| Past due but not impaired         | 40,620         | 50,065         | -              | -              |
| Impaired                          | 33,932         | 27,605         | -              | -              |
| <b>Gross</b>                      | <u>133,094</u> | <u>157,810</u> | <u>-</u>       | <u>-</u>       |
| Less: Provision for credit losses | (33,932)       | (27,605)       | -              | -              |
| <b>Net</b>                        | <u>99,162</u>  | <u>130,205</u> | <u>-</u>       | <u>-</u>       |

All trade receivables are receivable from customers in Jamaica.

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## 35. Financial Risk Management (Continued)

### (b) Credit risk (continued)

(ii) Aging analysis of past due but not impaired trade receivables:

|               | The Group      |                | The Company    |                |
|---------------|----------------|----------------|----------------|----------------|
|               | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| 31 to 60 days | 22,019         | 27,283         | -              | -              |
| Over 90 days  | 18,601         | 22,782         | -              | -              |
|               | <u>40,620</u>  | <u>50,065</u>  | <u>-</u>       | <u>-</u>       |

The amounts above include managed properties fees receivables of \$18,601,000 (2015 - \$15,436,000) (Note 19). There are no financial assets other than trade receivables that are past due.

### (iii) Investments

The following table summarises the credit exposure of the group and company to businesses and government by sectors in respect of investments (excluding equities, investments in subsidiaries and associated companies and related parties debt):

|                                | The Group        |                  | The Company    |                |
|--------------------------------|------------------|------------------|----------------|----------------|
|                                | 2016<br>\$'000   | 2015<br>\$'000   | 2016<br>\$'000 | 2015<br>\$'000 |
| Government of Jamaica          | 118,727          | 84,468           | 65,357         | 5,838          |
| Corporate and other government | 2,062,861        | 1,279,015        | 552,369        | 505,855        |
|                                | <u>2,181,588</u> | <u>1,363,483</u> | <u>617,726</u> | <u>511,693</u> |

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### 35. Financial Risk Management (Continued)

#### (c) Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

#### Liquidity risk management process

The group's liquidity management process, as carried out within the group and monitored by the Investment Committee, includes:

- (i) Monitoring future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit;
- (iv) Optimising cash returns on investment; and
- (v) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates and exchange rates.

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## 35. Financial Risk Management (Continued)

### (c) Liquidity risk (continued)

Financial assets and liabilities cash flows

The tables below summarise the maturity profile of the group's and company's financial assets and liabilities at 31 December based on contractual undiscounted payments.

|                                                                         | The Group                     |                            |                             |                           |                           |                                   | Total<br>\$'000    |
|-------------------------------------------------------------------------|-------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------------|--------------------|
|                                                                         | Within 1<br>Month<br>\$'000   | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over<br>5 Years<br>\$'000 | No Specific<br>Maturity<br>\$'000 |                    |
|                                                                         | <b>As at 31 December 2016</b> |                            |                             |                           |                           |                                   |                    |
| <b>Financial assets</b>                                                 |                               |                            |                             |                           |                           |                                   |                    |
| Cash and bank balances                                                  | 56,600                        | -                          | -                           | -                         | -                         | -                                 | 56,600             |
| Deposits                                                                | 430,072                       | -                          | 68,715                      | -                         | 4,101                     | -                                 | 502,888            |
| Investment securities                                                   | 851,184                       | 14,034                     | 102,970                     | 480,948                   | 354,452                   | 1,883,183                         | 3,686,771          |
| Securities purchased under<br>agreements to resell                      | 168,291                       | 38,134                     | -                           | -                         | -                         | -                                 | 206,425            |
| Trade and other receivables                                             | 197,178                       | 171,571                    | -                           | -                         | -                         | -                                 | 368,749            |
| <b>Total financial assets<br/>(contractual maturity<br/>dates)</b>      | <b>1,703,325</b>              | <b>223,739</b>             | <b>171,685</b>              | <b>480,948</b>            | <b>358,553</b>            | <b>1,883,183</b>                  | <b>4,821,433</b>   |
| <b>Financial liabilities</b>                                            |                               |                            |                             |                           |                           |                                   |                    |
| Bank overdraft                                                          | 4,659                         | -                          | -                           | -                         | -                         | -                                 | 4,659              |
| Loans                                                                   | 100,038                       | 200,479                    | 1,287,573                   | 1,625,790                 | 3,948,923                 | -                                 | 7,162,803          |
| Finance leases liability                                                | 611                           | 1,054                      | 4,532                       | 9,379                     | -                         | -                                 | 15,576             |
| Other liabilities                                                       | 336,396                       | 300,172                    | -                           | -                         | -                         | -                                 | 636,568            |
| <b>Total financial liabilities<br/>(contractual maturity<br/>dates)</b> | <b>441,704</b>                | <b>501,705</b>             | <b>1,292,105</b>            | <b>1,635,169</b>          | <b>3,948,923</b>          | <b>-</b>                          | <b>7,819,606</b>   |
| <b>Net Liquidity Gap</b>                                                | <b>1,261,621</b>              | <b>(277,966)</b>           | <b>(1,120,420)</b>          | <b>(1,154,221)</b>        | <b>(3,590,370)</b>        | <b>1,883,183</b>                  | <b>(2,998,173)</b> |
| <b>Cumulative Liquidity Gap</b>                                         | <b>1,261,621</b>              | <b>983,655</b>             | <b>(136,765)</b>            | <b>(1,290,986)</b>        | <b>(4,881,356)</b>        | <b>(2,998,173)</b>                |                    |

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## 35. Financial Risk Management (Continued)

### (c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

|                                                                         | The Group         |                  |                   |                    |                    |                         | Total<br>\$'000    |
|-------------------------------------------------------------------------|-------------------|------------------|-------------------|--------------------|--------------------|-------------------------|--------------------|
|                                                                         | Within 1<br>Month | 1 to 3<br>Months | 3 to 12<br>Months | 1 to 5<br>Years    | Over<br>5 Years    | No Specific<br>Maturity |                    |
|                                                                         | \$'000            | \$'000           | \$'000            | \$'000             | \$'000             | \$'000                  |                    |
| <b>As at 31 December 2015</b>                                           |                   |                  |                   |                    |                    |                         |                    |
| <b>Financial assets</b>                                                 |                   |                  |                   |                    |                    |                         |                    |
| Cash and bank balances                                                  | 120,123           | -                | -                 | -                  | -                  | -                       | 120,123            |
| Deposits                                                                | 279,080           | -                | -                 | -                  | 4,560              | -                       | 283,640            |
| Investment securities                                                   | 146,368           | 5,107            | 158,336           | 356,524            | 526,191            | 1,233,647               | 2,426,173          |
| Securities purchased under<br>agreements to resell                      | 423,789           | 130,439          | 635               | -                  | -                  | -                       | 554,863            |
| Trade and other receivables                                             | 144,034           | 236,677          | 115,433           | -                  | -                  | -                       | 496,144            |
| <b>Total financial assets<br/>(contractual maturity<br/>dates)</b>      | <b>1,113,394</b>  | <b>372,223</b>   | <b>274,404</b>    | <b>356,524</b>     | <b>530,751</b>     | <b>1,233,647</b>        | <b>3,880,943</b>   |
| <b>Financial liabilities</b>                                            |                   |                  |                   |                    |                    |                         |                    |
| Bank overdraft                                                          | 8,915             | -                | -                 | -                  | -                  | -                       | 8,915              |
| Loans                                                                   | 148,855           | 267,717          | 870,724           | 2,649,935          | 3,706,499          | -                       | 7,643,730          |
| Finance leases liability                                                | 709               | 1,412            | 5,378             | 5,225              | -                  | -                       | 12,724             |
| Other liabilities                                                       | 118,400           | 242,982          | 17,551            | -                  | -                  | -                       | 378,933            |
| <b>Total financial liabilities<br/>(contractual maturity<br/>dates)</b> | <b>276,879</b>    | <b>512,111</b>   | <b>893,653</b>    | <b>2,655,160</b>   | <b>3,706,499</b>   | <b>-</b>                | <b>8,044,302</b>   |
| <b>Net Liquidity Gap</b>                                                | <b>836,515</b>    | <b>(139,888)</b> | <b>(619,249)</b>  | <b>(2,298,636)</b> | <b>(3,175,748)</b> | <b>1,233,647</b>        | <b>(4,163,359)</b> |
| <b>Cumulative Liquidity Gap</b>                                         | <b>836,515</b>    | <b>696,627</b>   | <b>77,378</b>     | <b>(2,221,258)</b> | <b>(5,397,006)</b> | <b>(4,163,359)</b>      |                    |



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## 35. Financial Risk Management (Continued)

### (c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

|                                                                         | The Company       |                  |                    |                  |                    |                         | Total<br>\$'000    |
|-------------------------------------------------------------------------|-------------------|------------------|--------------------|------------------|--------------------|-------------------------|--------------------|
|                                                                         | Within 1<br>Month | 1 to 3<br>Months | 3 to 12<br>Months  | 1 to 5<br>Years  | Over 5<br>Years    | No Specific<br>Maturity |                    |
|                                                                         | \$'000            | \$'000           | \$'000             | \$'000           | \$'000             | \$'000                  |                    |
| <b>As at 31 December 2016:</b>                                          |                   |                  |                    |                  |                    |                         |                    |
| <b>Assets</b>                                                           |                   |                  |                    |                  |                    |                         |                    |
| Cash and bank balances                                                  | 13,801            | -                | -                  | -                | -                  | -                       | 13,801             |
| Deposits                                                                | 79,721            | -                | 68,715             | -                | -                  | -                       | 148,436            |
| Investment securities                                                   | 15,239            | 13,734           | 69,019             | 906,529          | 195,678            | 767,974                 | 1,968,173          |
| Securities purchased under<br>agreements to resell                      | 145,739           | 25,770           | -                  | -                | -                  | -                       | 171,509            |
| Due from related parties                                                | 3,525             | 7,050            | 32,454             | 1,813,739        | -                  | 112,841                 | 1,969,609          |
| Receivables                                                             | 3,612             | 6,634            | -                  | -                | -                  | -                       | 10,246             |
| <b>Total financial assets<br/>(contractual maturity<br/>dates)</b>      | <b>261,637</b>    | <b>53,188</b>    | <b>170,188</b>     | <b>2,720,268</b> | <b>195,678</b>     | <b>880,815</b>          | <b>4,281,774</b>   |
| <b>Liabilities</b>                                                      |                   |                  |                    |                  |                    |                         |                    |
| Bank overdraft                                                          | 4,659             | -                | -                  | -                | -                  | -                       | 4,659              |
| Due to related parties                                                  | -                 | -                | 13,398             | -                | -                  | -                       | 13,398             |
| Loans                                                                   | 51,382            | 170,478          | 1,221,218          | 1,288,547        | 3,533,590          | -                       | 6,265,215          |
| Finance lease liability                                                 | 100               | 200              | 689                | -                | -                  | -                       | 989                |
| Other liabilities                                                       | 214,622           | 128,035          | -                  | -                | -                  | -                       | 342,657            |
| <b>Total financial liabilities<br/>(contractual maturity<br/>dates)</b> | <b>270,763</b>    | <b>298,713</b>   | <b>1,235,305</b>   | <b>1,288,547</b> | <b>3,533,590</b>   | <b>-</b>                | <b>6,626,918</b>   |
| <b>Net Liquidity Gap</b>                                                | <b>(9,126)</b>    | <b>(245,525)</b> | <b>(1,065,117)</b> | <b>1,431,721</b> | <b>(3,337,912)</b> | <b>880,815</b>          | <b>(2,345,144)</b> |
| <b>Cumulative Liquidity Gap</b>                                         | <b>(9,126)</b>    | <b>(254,651)</b> | <b>(1,319,768)</b> | <b>111,953</b>   | <b>(3,225,959)</b> | <b>(2,345,144)</b>      |                    |

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### 35. Financial Risk Management (Continued)

#### (c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

|                                                                         | The Company                    |                            |                             |                           |                           |                                   | Total<br>\$'000    |
|-------------------------------------------------------------------------|--------------------------------|----------------------------|-----------------------------|---------------------------|---------------------------|-----------------------------------|--------------------|
|                                                                         | Within 1<br>Month<br>\$'000    | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5<br>Years<br>\$'000 | Over 5<br>Years<br>\$'000 | No Specific<br>Maturity<br>\$'000 |                    |
|                                                                         | <b>As at 31 December 2015:</b> |                            |                             |                           |                           |                                   |                    |
| <b>Assets</b>                                                           |                                |                            |                             |                           |                           |                                   |                    |
| Cash and bank balances                                                  | 7,325                          | -                          | -                           | -                         | -                         | -                                 | 7,325              |
| Deposits                                                                | 27,455                         | -                          | -                           | -                         | -                         | -                                 | 27,455             |
| Investment securities                                                   | 15,191                         | 12,125                     | 188,460                     | 714,176                   | 262,610                   | 675,040                           | 1,867,602          |
| Securities purchased under<br>agreements to resell                      | 206,263                        | 88,368                     | 635                         | -                         | -                         | -                                 | 295,266            |
| Due from related parties                                                | 4,500                          | 9,000                      | 81,000                      | 1,696,351                 | 266,949                   | 66,072                            | 2,123,872          |
| Receivables                                                             | 2,833                          | 29,313                     | -                           | -                         | -                         | -                                 | 32,146             |
| <b>Total financial assets<br/>(contractual maturity<br/>dates)</b>      | <b>263,567</b>                 | <b>138,806</b>             | <b>270,095</b>              | <b>2,410,527</b>          | <b>529,559</b>            | <b>741,112</b>                    | <b>4,353,666</b>   |
| <b>Liabilities</b>                                                      |                                |                            |                             |                           |                           |                                   |                    |
| Bank overdraft                                                          | 8,915                          | -                          | -                           | -                         | -                         | -                                 | 8,915              |
| Due to related parties                                                  | -                              | -                          | 13,011                      | -                         | -                         | -                                 | 13,011             |
| Loans                                                                   | 80,885                         | 191,733                    | 842,310                     | 2,548,243                 | 3,651,000                 | -                                 | 7,314,171          |
| Finance lease liability                                                 | 100                            | 200                        | 900                         | 900                       | -                         | -                                 | 2,100              |
| Other liabilities                                                       | 20,386                         | 52,652                     | 17,551                      | -                         | -                         | -                                 | 90,589             |
| <b>Total financial liabilities<br/>(contractual maturity<br/>dates)</b> | <b>110,286</b>                 | <b>244,585</b>             | <b>873,772</b>              | <b>2,549,143</b>          | <b>3,651,000</b>          | <b>-</b>                          | <b>7,428,786</b>   |
| <b>Net Liquidity Gap</b>                                                | <b>153,281</b>                 | <b>(105,779)</b>           | <b>(603,677)</b>            | <b>(138,616)</b>          | <b>(3,121,441)</b>        | <b>741,112</b>                    | <b>(3,075,120)</b> |
| <b>Cumulative Liquidity Gap</b>                                         | <b>153,281</b>                 | <b>47,502</b>              | <b>(556,175)</b>            | <b>(694,791)</b>          | <b>(3,816,232)</b>        | <b>(3,075,120)</b>                |                    |

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### 35. Financial Risk Management (Continued)

#### (d) Capital management

The group's objectives when managing capital are to provide superior returns for stockholders and benefits for other stakeholders, while maintaining a conservative capital structure. The Board of Directors monitors the return on capital, which the group defines as net profit attributable to equity holders divided by total stockholders' equity, excluding non-controlling interest. The Board of Directors also monitors and approves the level of dividends to ordinary stockholders.

The group will from time to time purchase its own shares on the market for employee share plan purposes, the timing of which depends on the prevailing market prices.

There were no changes to the group's approach to capital management during the year.

The company and its subsidiaries have no externally imposed capital requirements.

### 36. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. For financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (a) Cash and deposits, receivables, payables and related party balances reflect their approximate fair values due to the short term nature of these instruments;
- (b) Investment securities classified as available-for-sale and financial assets at fair value through profit and loss are measured at fair value by reference to quoted market prices or valuation techniques such as a discounted cash flow model;
- (c) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;
- (d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans; and
- (e) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

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## 36. Fair Value of Financial Instruments (Continued)

The following financial liabilities are not carried at fair value:

|                              | The Group         |                |                   |                |
|------------------------------|-------------------|----------------|-------------------|----------------|
|                              | Carrying<br>Value | Fair<br>Value  | Carrying<br>Value | Fair<br>Value  |
|                              | 2016<br>\$'000    | 2016<br>\$'000 | 2015<br>\$'000    | 2015<br>\$'000 |
| <b>Financial Liabilities</b> |                   |                |                   |                |
| Loan liabilities             | 5,182,065         | 5,382,458      | 5,180,745         | 5,250,269      |
| Finance lease liability      | 11,756            | 15,576         | 11,446            | 12,722         |
|                              |                   |                |                   |                |
|                              | The Company       |                |                   |                |
|                              | Carrying<br>Value | Fair<br>Value  | Carrying<br>Value | Fair<br>Value  |
|                              | 2016<br>\$'000    | 2016<br>\$'000 | 2015<br>\$'000    | 2015<br>\$'000 |
| Loan liabilities             | 4,625,216         | 4,806,073      | 4,918,549         | 4,988,309      |
| Finance lease liability      | 941               | 989            | 1,996             | 2,100          |

The fair value of financial liabilities is within level 2 of the fair value hierarchy. Balances for other financial assets and liabilities carried at amortised cost, approximates their fair value because of their short term nature.

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## 36. Fair Value of Financial Instruments (Continued)

The group follows the requirements of IFRS 7 for financial instruments that are carried on the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) Quoted prices in active markets for identical assets or liabilities (level 1).
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- (c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's financial assets that are measured at fair value at 31 December. See Note 3(v) and 17 for disclosure of investment properties that are measured at fair value.

|                               | <b>The Group</b>   |                  |                |                  |
|-------------------------------|--------------------|------------------|----------------|------------------|
|                               | <b>Level 1</b>     | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>     |
|                               | <b>\$'000</b>      | <b>\$'000</b>    | <b>\$'000</b>  | <b>\$'000</b>    |
| <b>As at 31 December 2016</b> |                    |                  |                |                  |
| <b>Financial assets</b>       |                    |                  |                |                  |
| Investment securities         | <u>796,040</u>     | <u>1,443,760</u> | <u>965,828</u> | <u>3,205,628</u> |
| <b>As at 31 December 2015</b> |                    |                  |                |                  |
| <b>Financial assets</b>       |                    |                  |                |                  |
| Investment securities         | <u>561,609</u>     | <u>519,905</u>   | <u>672,038</u> | <u>1,753,552</u> |
|                               | <b>The Company</b> |                  |                |                  |
|                               | <b>Level 1</b>     | <b>Level 2</b>   | <b>Level 3</b> | <b>Total</b>     |
|                               | <b>\$'000</b>      | <b>\$'000</b>    | <b>\$'000</b>  | <b>\$'000</b>    |
| <b>As at 31 December 2016</b> |                    |                  |                |                  |
| <b>Financial assets</b>       |                    |                  |                |                  |
| Investment securities         | <u>300,063</u>     | <u>266,469</u>   | <u>467,911</u> | <u>1,034,443</u> |
| <b>As at 31 December 2015</b> |                    |                  |                |                  |
| <b>Financial assets</b>       |                    |                  |                |                  |
| Investment securities         | <u>234,991</u>     | <u>181,483</u>   | <u>440,049</u> | <u>856,523</u>   |

There were no transfers between levels during the year.

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## 36. Fair Value of Financial Instruments (Continued)

The following table shows the changes in Level 3 instruments:

|                                                                                                                                   | The Group      |                | The Company    |                |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                                                                   | 2016           | 2015           | 2016           | 2015           |
|                                                                                                                                   | \$'000         | \$'000         | \$'000         | \$'000         |
| Balance at beginning of year                                                                                                      | 672,038        | 661,647        | 440,049        | 410,128        |
| Additions                                                                                                                         | 289,853        | 264,193        | 15,200         | 30,110         |
| Settlements                                                                                                                       | (22,244)       | (293,563)      | (22,244)       | (32,042)       |
| Impairment                                                                                                                        | (6,723)        | -              | (6,723)        | -              |
| Foreign exchange gains                                                                                                            | -              | 8,811          | -              | 8,811          |
| Unrealised gains and losses recognised OCI                                                                                        | 32,904         | 30,950         | 41,629         | 23,042         |
|                                                                                                                                   | <u>965,828</u> | <u>672,038</u> | <u>467,911</u> | <u>440,049</u> |
| Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period                | <u>-</u>       | <u>8,811</u>   | <u>-</u>       | <u>8,811</u>   |
| Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period | <u>-</u>       | <u>8,811</u>   | <u>-</u>       | <u>8,811</u>   |

The quoted market price used for financial assets held by the group is current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as financial assets at fair value through profit and loss and available for sale.

The fair value of financial instruments that are not quoted on an exchange is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Level 3 investments include investments in closed end real estate funds which are not publicly traded. To determine the carrying value for these investments management independently computes its share of the fair value of the net assets of the fund, by assessing the results of valuations and considering the fair values of cash and investment holdings as well as any debt obligations these funds may have. The real estate held by the funds are valued using an income approach which considers rental rates, rent multipliers, factors for vacancy and a capitalization rate. These capitalization factors and the rent multipliers are largely unobservable inputs that have the greatest potential for volatility and have resulted in the classification of the investments in level 3. The capitalization rates and rental multipliers used in the valuations range from 4% to 6% and 16.67 to 25.00 respectively.

Should the rent multipliers increase/decrease by 1, this would result in an increase/decrease in the carrying value of these respective investments, with all other factors remaining constant, of \$33,023,000 (2015 -\$30,115,000) for the company and the group. Should the capitalization factors increase/decrease by 1 percentage point, it would result in decrease/increase in the carrying value of the investments, with all other factors remaining constant, of \$123,239,000 and \$146,401,000 (2015 - \$113,880,000 and \$124,394,000) for the group only.

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## 36. Fair Value of Financial Instruments (Continued)

Specific valuation techniques used to value financial instruments include:

- (i) Quoted market prices or dealer quotes for similar instruments
- (ii) Other techniques, such as discounted cash flow analysis used to determine fair value for the remaining financial instruments.

## 37. Litigation and Contingent Liabilities

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters, when, in the opinion of management, it is probable that a payment will be made by the group, and the amount can be reasonably estimated.

In respect of claims asserted against the group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the group which is immaterial to both financial position and results of operations.