

# PanJam Investment Limited

## Report to Stockholders

December 31, 2016

On behalf of the Board of Directors, we are pleased to present the consolidated financial statements of PanJam Investment Limited for the year ended December 31, 2016.

The financial highlights are:

- Net profit attributable to owners of \$4,050 million (2015: \$3,186 million)
- Return on opening equity of 19% (2015: 15%)
- Earnings per stock unit of \$3.86 (2015: \$3.04)
- Dividends per stock unit of \$0.85 (2015: \$0.57; 2016 includes a special dividend of \$0.20 paid in 2017)
- Book value per stock unit of \$24.43 at year end (December 31, 2015: \$20.74)

During 2016, we disposed of our 50% interest in Mavis Bank Coffee Factory Limited ("Mavis Bank"), a joint venture with Jamaica Producers Group Limited, which resulted in a gain on disposal of \$665.6 million. We, along with our partners, are proud of our achievements in the local coffee industry over a relatively short period of time and have exited at a time of significantly improved farming and trading environments which have allowed us to create significant value for our shareholders.

### Income Statement

Net profit attributable to owners for the year ended 31 December 2016 amounted to \$4,050 million, (2015: \$3,186 million), an increase of 27%, while earnings per stock unit were \$3.86 (2015: \$3.04).

Property income decreased 7% to \$1,382 million (2015: \$1,483 million), reflecting reduced rental income of \$1,221 million (2015: \$1,254 million), and lower property revaluation gains of \$162 million (2015: 229 million) due primarily to an increase in vacancies. Our property segment continues to be a significant contributor to the group, posting \$246 million (2015: \$416 million) of profit before tax.

Investment income of \$239 million improved during the year (2015: \$206 million). Faster Jamaican dollar devaluation relative to the United States dollar and depreciation versus prior year appreciation relative to the Canadian dollar resulted in increased foreign exchange gains of \$104 million (2015: \$26 million). These gains, as well as unrealized investment gains of \$155 million (2015: - \$52 million), were partially offset by declines in realized investment gains, dividend income and higher impairment charges. Our

investment management segment, which includes our share of associated companies and joint ventures, posted increased pre-tax profit of \$3,308 million (2015: \$2,688 million).

Total operating expenses for the year amounted to \$1,311 million (2015: \$1,268 million), an increase of 3%. Direct costs of property management increased marginally to \$572 million (2015: \$572 million). Staff costs decreased by \$51 million as a result of lower pension expenses, which were unusually high in 2015 as a result of one-off costs arising from improvements to benefits offered by the Pan-Jam pension plan.

Finance costs increased to \$527 million (2015: \$496 million), resulting from higher average debt balances and a shift from US dollar to Jamaican dollar-denominated debt. The latter has higher nominal interest rates but no exposure to devaluation risk.

Total comprehensive income was \$5,480 million (2015: \$1,256 million). The 2016 figure includes a share of other comprehensive income of associated companies of \$1,183 million (2015: -\$2,005 million), arising principally from unrealized fair value gains (losses in 2015) on Sagicor Group Jamaica Limited ("Sagicor")'s available-for-sale securities. These reflected general improvement in global securities prices driven by strengthening in certain key economies and in commodity prices.

#### **Associated Companies and Joint Arrangements**

Our 31.5% stake in Sagicor continues to generate the majority of our income from associated companies and joint arrangements. We also continue to hold a 20% interest in Chukka Caribbean Adventures Limited ("Chukka"), an adventure tourism company; a 25% interest in New Castle Company Limited ("New Castle"), owners of the Walkerswood and Busha Browne brands; a 32% interest in Caribe Hospitality Jamaica Limited ("Caribe"), developers of the Marriott Courtyard hotel in New Kingston which opened in December 2015; and a 50% joint operation interest in Kingchurch Property Holdings Limited, through which we are refurbishing the former Oceana hotel in downtown Kingston, a project which will add to the ongoing revitalization in that area.

In addition to disposal of our Mavis Bank holding, as noted above, we sold our 20.8% interest in Hardware & Lumber Limited. These two divestments resulted in realised gains of \$851 million in 2016.

Our share of results of associated and joint venture companies increased by \$470 million (15%) to \$3,696 million (2015: \$3,226 million). Of this amount, \$3,517 million (2015 - \$3,054 million) was generated by Sagicor. Sagicor's net profit attributable to shareholders was \$11,258 million, an increase of 15% over the prior year, representing a 22% return on average equity. Sagicor's results were driven by strong business growth across all lines, significant capital gains on sale of securities, favourable benefits experience and containment of operating expenses.

Chukka Caribbean Adventures Limited, Newcastle and Caribe Hospitality Jamaica all performed satisfactorily during the year.

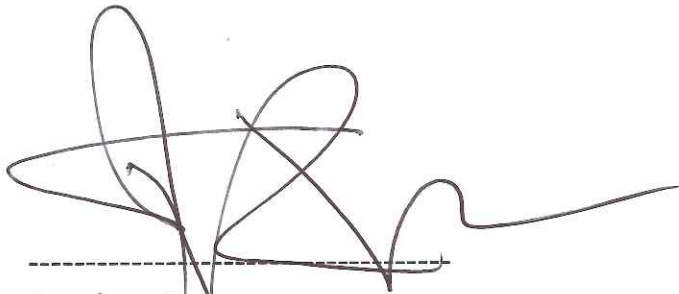
## Balance Sheet

Stockholders' equity increased to \$25.7 billion at December 31, 2016 (2015: \$21.8 billion), which equates to a book value per share at year-end of \$24.43 (2015: \$20.74), an increase of 18%. Total assets at December 31, 2016 amounted to \$32.4 billion (2015: \$28.0 billion).

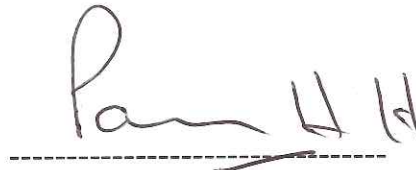
## Outlook

During 2016, Jamaica's economic fundamentals continued their improved showing, with the debt to GDP ratio steadily declining, inflation and interest rates holding at or near historic lows, lower unemployment and with business and consumer confidence continuing to improve. Signs of resulting growth are emerging evident with the ongoing buoyancy of the stock market, which is generally regarded as a leading indicator of improved productivity and profitability.

We look forward to further measures aimed at stimulating growth and strengthening the economic, regulatory and social context in which business is done in Jamaica particularly in the area of rapid and transparent development approvals. These measures, we trust, will arise at least partially from the terms of the new IMF programme as well as the efforts of the Economic Growth Council. In this increasingly supportive environment, we continue to seek out opportunities to invest new capital and to contribute more to the development of our nation.



Stephen Facey  
Chairman and Chief Executive Officer



Paul Hanworth  
Chief Operating Officer