

PANJAM INVESTMENT LIMITED



Interim Report to the Stockholders

Three months ended 31 March 2017

Interim Report to Stockholders

For the three months ended March 31, 2017

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of PanJam Investment Limited for the quarter ended March 31, 2017.

Highlights

The first quarter's highlights are:

- Net profit attributable to shareholders of \$830 million (2016: \$721 million)
- Return (annualized) on opening equity of 13% (2016: 13%)
- Earnings per stock unit of \$0.79 (2016: \$0.69)
- Book value per stock unit of \$25.31 at March 31, 2017 (December 31, 2016: \$24.43)
- Ordinary dividend of \$0.20 declared (2016: \$0.15)

Overview

Our net profit for the quarter is 15% higher than the comparable period last year, largely resulting from stronger share of results of associated and joint venture companies, led by Sagicor, and improved property and investment results.

During 2016, the group changed how it accounts for its 50% shareholding in Kingchurch Property Holdings Limited ("Kingchurch") from a joint venture, which is on an equity accounting basis, to a joint operation, in which the group recognizes its proportional share of revenue, expenses, assets and liabilities. The comparative quarter of 2016 has been restated accordingly. This restatement does not affect either the net profit or the net book value of the group, though it changes the amounts appearing on some line items on both the consolidated income statement and the consolidated statement of financial position.

Income Statement

Net profit attributable to owners for the quarter ended March 31, 2017 amounted to \$830 million (2016: \$721 million), an increase of 15%. Earnings per stock unit were \$0.79 (2016: \$0.69).

Performance for the quarter was influenced positively by increases of \$224 million in our share of results of associated and joint venture companies, \$61 million in investment income and \$58 million in property income. These exceed last year's one-off gain of \$185 million on the divestment of our stake in Hardware & Lumber Limited.

Group operating profit for the first quarter increased by \$81 million compared to 2016, driven largely by the increases in investment and property income partially offset by an increase of \$40 million in operating expenses. Property income increased due to improved rentals and higher property revaluation gains. Investment income was boosted by higher commodity prices and more buoyant capital markets generally, which led to sufficient realized gains to offset declining foreign exchange gains as a result of minimal devaluation of the Jamaican dollar during the quarter.

Operating expenses increased principally as a result of higher energy rates and personnel-related costs. Finance costs were flat at \$129 million (2016: \$130 million).

PanJam Investment Limited

Operating profits of the property and investment segments improved to \$116 million and \$31 million respectively in the current year (2016: \$49 million and \$19 million respectively).

Associated and joint venture companies

The results of associated companies consisted principally of our 31.6% investment in Sagicor. We also hold minority positions in New Castle Company Limited (owners of the Walkerswood and Busha Browne lines of sauces and seasonings), Caribe Hospitality of Jamaica Limited (owners of the New Kingston Courtyard Marriott Hotel) and Chukka Caribbean Adventures (“Chukka”).

During 2016, our associated companies also included Hardware & Lumber Limited (“H&L”) and Mavis Bank Coffee Factory, the former having been divested in the first quarter of 2016 and the latter in the third quarter.

Our share of results of associated and joint venture companies for the quarter increased by \$224 million to \$818 million (2016: \$594 million). Our share of earnings from Sagicor increased by \$217 million (37%) to \$809 million. Sagicor’s first quarter results reflect strong performances in its insurance and annuities businesses. Newcastle, Chukka and Caribe performed satisfactorily during the period.

Balance Sheet

Total assets at March 31, 2017 amounted to \$32.7 billion, compared to \$32.4 billion at December 31, 2016. Stockholders’ equity increased to \$26.5 billion (December 31, 2016: \$25.7 billion), which equates to a book value per stock unit of \$25.31 (December 31, 2016: \$24.43).

Outlook

There are currently three active significant development projects near the Kingston waterfront and in nearby areas, including our own project at the former Oceana building. This is a strong sign that real momentum is building for a renaissance of downtown. Properly managed and facilitated, this has the potential to contribute significantly to the improved GDP growth that has been a national goal for so long.

We have long advocated for the re-establishment of Kingston as a port of call for cruise shipping, to help drive growth and employment. We believe the government should take open steps towards engaging the private sector and the cruise operators more broadly in this effort. We also continue our call for meaningful measures to be implemented by the government to reduce the difficulty and delays investors face in obtaining approvals and accessing incentives for development. Without this, the momentum of the downtown rebirth will be significantly slowed, impacting its potential contribution to the growth levels to which Jamaica aspires.



Stephen B. Facey
Chairman & Chief Executive Officer



Paul R. Hanworth
Director & Chief Operating Officer

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Income Statement
Three months ended 31 March 2017

	3 Months to Mar-17 \$'000	Restated 3 Months to Mar-16 \$'000
Income		
Investments	110,988	49,581
Property	354,491	296,206
Commissions	11,984	15,863
Other	24,093	19,603
	501,556	381,253
Operating expenses	(333,613)	(294,153)
Operating profit	167,943	87,100
Finance costs	(129,114)	(130,081)
	38,829	(42,981)
Gain on disposal of associated company	-	185,453
Share of results of associated companies and joint venture	817,659	594,169
	856,488	736,641
Profit before taxation	856,488	736,641
Taxation	(14,417)	(17,200)
Net profit	842,071	719,441
Net profit attributable to:		
Owners of the parent	830,198	721,449
Non-controlling interest	11,873	(2,008)
	842,071	719,441
Earnings per stock unit attributable to owners of the parent for the period	\$0.79	\$0.69

PanJam Investment Limited
and its subsidiaries
Unaudited Consolidated Statement of Comprehensive Income
Three months ended 31 March 2017

	3 Months to Mar-17 \$'000	Restated 3 Months to Mar-16 \$'000
Net profit for the period	842,071	719,441
Other comprehensive income:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Unrealised gains/(losses) on available-for-sale financial assets, net of tax	40,896	36,663
Loss/(Gains) recycled to profit and loss on disposal and maturity of investment assets	7,245	(154)
	48,141	36,509
Exchange differences on translating foreign operations	(1,025)	(18)
Realised gains on disposal of associated company	-	(117,188)
Share of other comprehensive income of associates	141,224	151,099
Other comprehensive income for the period, net of tax	188,340	70,402
Total comprehensive income for the period	1,030,411	789,843
Total comprehensive income attributable to		
Owners of the parent	1,018,538	786,564
Non-controlling interest	11,873	3,279
	1,030,411	789,843

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Financial Position
as at 31 March 2017

	Unaudited March 2017 \$'000	Audited December 2016 \$'000	Restated Unaudited March 2016 \$'000
ASSETS			
Cash and Bank Balances	70,890	56,597	88,700
Investments			
Deposits	597,120	499,303	60,771
Securities			
Financial assets at fair value through profit and loss	641,233	662,944	503,609
Available-for-sale	1,919,947	2,542,684	1,395,434
Held-to-maturity	32,022	32,237	30,342
Loans & receivables	95,250	109,087	415,858
Securities purchased under agreements to resell	32,911	206,198	218,098
Investment properties	5,630,968	5,583,427	5,419,497
Investment in joint venture	-	-	56,921
Investment in associated companies	21,801,357	20,874,843	17,495,169
	<u>30,750,808</u>	<u>30,510,723</u>	<u>25,595,699</u>
Other assets			
Taxation recoverable	19,117	28,350	38,150
Deferred tax assets	19,075	1,470	7,596
Development in progress projects	718,292	718,292	714,172
Receivables and other assets	439,105	396,705	1,584,449
Property, plant and equipment	695,073	688,252	423,908
Intangibles	35,255	40,291	55,400
	<u>1,925,917</u>	<u>1,873,360</u>	<u>2,823,675</u>
	<u>32,747,615</u>	<u>32,440,680</u>	<u>28,508,074</u>
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital and Reserves Attributable to the Company's Equity holders			
Share capital	2,141,985	2,141,985	2,141,985
Equity compensation reserve	51,664	46,054	45,591
Property revaluation reserve	3,516,194	3,477,645	3,331,031
Investment and other reserves	2,956,672	2,780,185	1,950,276
Retained earnings	18,110,036	17,528,506	15,102,511
Treasury stock	(325,530)	(304,904)	(166,446)
	<u>26,451,021</u>	<u>25,669,471</u>	<u>22,404,948</u>
Non-controlling interest	<u>224,635</u>	<u>587,762</u>	<u>334,928</u>
	<u>26,675,656</u>	<u>26,257,233</u>	<u>22,739,876</u>
Liabilities			
Bank overdraft	8,328	4,655	3,890
Taxation payable	-	-	21,262
Bank and other loans	5,299,463	5,182,065	5,158,628
Finance lease liability	10,556	11,756	9,672
Deferred tax liability	138,534	140,087	59,676
Retirement benefit liabilities	225,074	208,330	200,703
Payables and other liabilities	390,004	636,554	314,367
Total liabilities	<u>6,071,959</u>	<u>6,183,447</u>	<u>5,768,198</u>
	<u>32,747,615</u>	<u>32,440,680</u>	<u>28,508,074</u>



Stephen B. Facey

Director



Paul R. Hanworth

Director

PANJAM INVESTMENT LIMITED
Unaudited Consolidated Statement of Changes in Equity
for the period ended 31 March 2017

Restated
31-Mar-16

	\-----Owners Of The Parent-----/							
	Share Capital \$'000	Equity Compensatio reserve \$'000	Property Revaluation Reserves \$'000	Investment and other reserves \$'000	Retained Earnings \$'000	Treasury Shares \$'000	Non-controlling Interests \$'000	Total \$'000
Balance at 1 January 2016	2,141,985	38,181	3,327,600	1,879,882	14,541,916	(166,446)	336,928	22,100,046
Comprehensive income								
Net profit					721,449		(2,008)	719,441
Other comprehensive income				70,394	-		8	70,402
Total comprehensive income for the period				70,394	721,449		(2,000)	789,843
Transactions with owners								
Dividends paid	-	-	-	-	(157,423)	-	-	(157,423)
Employee share option scheme value of services provided		7,410						7,410
Property revaluation gains	-	-	3,431	-	(3,431)	-	-	-
Balance at 31 March 2016	2,141,985	45,591	3,331,031	1,950,276	15,102,511	(166,446)	334,928	22,739,876

31-Mar-17

	\-----Owners Of The Parent-----/							
	Share Capital \$'000	Equity Reserve \$'000	Property Reserve \$'000	Investment and other reserves \$'000	Retained Earnings \$'000	Treasury Shares \$'000	Non-controlling Interests \$'000	Total \$'000
Balance at 1 January 2017	2,141,985	46,054	3,477,645	2,780,185	17,528,506	(304,904)	587,762	26,257,233
Comprehensive income								
Net profit					830,198		11,873	842,071
Other comprehensive income				188,340	-		-	188,340
Total comprehensive income for the period				188,340	830,198		11,873	1,030,411
Dividends paid to non-controlling interest							(375,000)	(375,000)
Transactions with owners								
Dividends paid	-	-	-	-	(210,119)	-	-	(210,119)
Employee share option scheme value of services provided		8,300						8,300
Employee share grants vested		(2,690)		4,699		7,822		9,831
Acquisition of treasury stocks						(28,448)		(28,448)
Change in reserves of associated company				(16,552)				(16,552)
Property revaluation gains			38,549		(38,549)			
Balance at 31 March 2017	2,141,985	51,664	3,516,194	2,956,672	18,110,036	(325,530)	224,635	26,675,656

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Cash Flows
Three months ended 31 March 2017

	3-Months to March 2017 \$'000	Restated 3-Months to March 2016 \$'000
Net profit	842,071	719,441
Items not affecting cash		
Share of results of associated and joint venture companies	(817,659)	(594,169)
Fair value gains on investment properties	(41,048)	(5,718)
Foreign currency gain	(9,093)	(34,121)
Gain on disposal of associated company	-	(185,453)
Other	135,907	106,021
	<u>110,178</u>	<u>6,001</u>
Changes in operating assets and liabilities		
Other assets	(42,399)	20,396
Other liabilities	(36,431)	(15,813)
	<u>31,348</u>	<u>10,584</u>
Interest received	28,089	12,701
Income tax paid	(33,733)	(29,651)
Net cash provided by/(used in) operations	<u>25,704</u>	<u>(6,366)</u>
Cash flows from investing activities		
Disposal of investment securities, net	741,471	69,572
Other investment activities	(6,493)	(220,139)
Acquisition of property plant and equipment	(15,669)	(115,339)
Dividends received from associated company	15,818	3,626
Net cash provided by/(used in) investing activities	<u>735,127</u>	<u>(262,280)</u>
Cash flows from financing activities		
Dividends paid to equity holders	(420,238)	(157,423)
Dividends paid to non-controlling interest	(375,000)	-
Loan received	286,772	235,405
Loans repaid	(64,655)	(108,191)
Interest paid	(233,167)	(279,042)
Other financing activities	(1,200)	(1,774)
Net cash used in financing activities	<u>(826,105)</u>	<u>(311,025)</u>
Net decrease in cash and cash equivalents	(65,274)	(579,671)
Cash & cash equivalents at beginning of the period	<u>686,846</u>	<u>940,854</u>
Cash & cash equivalents at end of the period	<u><u>621,572</u></u>	<u><u>361,183</u></u>
Comprising of:		
Cash at bank and in hand	70,890	88,700
Short term deposits	526,099	58,273
Securities purchased under agreement to resell	32,911	218,098
Overdraft	(8,328)	(3,890)
	<u><u>621,572</u></u>	<u><u>361,183</u></u>

PANJAM INVESTMENT LIMITED**and its subsidiaries****Unaudited Consolidated Financial Information by Business Segments**

March 31, 2017

	Property Management & Rental \$'000	Investments \$'000	Other Services \$'000	Eliminations \$'000	Total \$'000
REVENUE					
External	371,931	100,021	29,604	-	501,556
Inter-segment	1,530	40,294	1,691	(43,515)	-
Total revenue	<u>373,461</u>	<u>140,315</u>	<u>31,295</u>	<u>(43,515)</u>	<u>501,556</u>
Segment results	116,177	30,624	21,142	-	167,943
Interest expense	(37,580)	(117,237)	-	25,703	(129,114)
	<u>78,597</u>	<u>(86,613)</u>	<u>21,142</u>	<u>25,703</u>	<u>38,829</u>
Share of results of associated companies	-	817,659	-	-	817,659
Profit before taxation	<u>78,597</u>	<u>731,046</u>	<u>21,142</u>	<u>25,703</u>	<u>856,488</u>
Taxation	(6,718)	(5,528)	(2,171)	-	(14,417)
Net profit	<u>71,879</u>	<u>725,518</u>	<u>18,971</u>	<u>25,703</u>	<u>842,071</u>
Segment assets	7,647,994	3,791,752	162,460	(655,948)	10,946,258
Investment in associated companies	-	21,801,357	-	-	21,801,357
Total assets	<u>7,647,994</u>	<u>25,593,109</u>	<u>162,460</u>	<u>(655,948)</u>	<u>32,747,615</u>
Segment liabilities	<u>1,728,979</u>	<u>4,919,895</u>	<u>79,033</u>	<u>(655,948)</u>	<u>6,071,959</u>

Restated

March 31, 2016

	Property Management & Rental \$'000	Investments \$'000	Other Service \$'000	Eliminations \$'000	Total \$'000
REVENUE					
External	283,665	73,012	24,576	-	381,253
Inter-segment	2,175	37,610	-	(39,785)	-
Total revenue	<u>285,840</u>	<u>110,622</u>	<u>24,576</u>	<u>(39,785)</u>	<u>381,253</u>
Segment results	48,766	18,657	19,677	-	87,100
Interest expense	(31,388)	(125,528)	-	26,835	(130,081)
	<u>17,378</u>	<u>(106,871)</u>	<u>19,677</u>	<u>26,835</u>	<u>(42,981)</u>
Gain on disposal of associated company	-	185,453	-	-	185,453
Share of results of associated and joint venture companies	-	594,169	-	-	594,169
Profit before taxation	<u>17,378</u>	<u>672,751</u>	<u>19,677</u>	<u>26,835</u>	<u>736,641</u>
Taxation	(15,324)	(520)	(1,356)	-	(17,200)
Net profit	<u>2,054</u>	<u>672,231</u>	<u>18,321</u>	<u>26,835</u>	<u>719,441</u>
Segment assets	7,332,418	3,951,273	384,678	(712,385)	10,955,984
Investment in associated and joint venture companies	-	17,495,169	56,921	-	17,552,090
Total assets	<u>7,332,418</u>	<u>21,446,442</u>	<u>441,599</u>	<u>(712,385)</u>	<u>28,508,074</u>
Segment liabilities	<u>1,525,801</u>	<u>4,853,778</u>	<u>101,004</u>	<u>(712,385)</u>	<u>5,768,198</u>

PANJAM INVESTMENT LIMITED

Notes to the Unaudited Consolidated Interim Financial Statements

31 March 2017

1. Basis of preparation

The unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting policies as outlined in note 2 of the 31 December 2016 audited financial statements.