



PANJAM INVESTMENT LIMITED

Interim unaudited Consolidated
Financial Statements
30 September 2018

Interim Report to Stockholders

For the nine months ended September 30, 2018

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of PanJam Investment Limited for the period ended September 30, 2018.

Overview

Net profit attributable to shareholders for the nine months ended September 30, 2018 is up 26% relative to last year. This is largely the result of stronger investment and property income.

Highlights

- Net profit attributable to shareholders of \$1,930 million (2017: \$1,215 million) for the quarter and \$3,739 million (2017: \$2,974 million) for the nine months
- Return on opening equity (annualized) of 16% (2017: 15%)
- Basic earnings per stock unit of \$1.84 (2017: \$1.16) for the quarter and \$3.56 (2017: \$2.83) for the nine months
- Book value per stock unit of \$31.38 at September 30, 2018 (December 31, 2017: \$29.03)
- Ordinary dividends of \$0.75 per stock unit declared and paid through September 30, 2018 (2017: \$0.60)

Income Statement

Net profit attributable to shareholders for the quarter ended September 30, 2018 amounted to \$1,930 million, compared to \$1,215 million in the 2017 3rd quarter, an increase of 59%, equivalent to basic earnings per stock unit of \$1.84 compared to \$1.16 for the same period in 2017. Net profit attributable to shareholders for the nine months ended September 30, 2018 amounted to \$3,739 million, 26% above the 2017 comparable figure of \$2,974 million, equivalent to basic earnings per stock unit of \$3.56 in 2018 and \$2.83 in 2017.

Investment income in the third quarter of 2018 was \$1,064 million versus \$202 million in the prior year. The improvement mainly reflects higher unrealized and foreign exchange gains. Year to date investment income of \$1,209 million more than doubled (2017: \$332 million), due to improved unrealized and foreign exchange gains and dividend income, which offset reduced realized gains and interest income.

Property income increased by 19% for the quarter to \$462 million from \$388 million in 2017, and by 22% for the year to date moving to \$1,367 million from \$1,119 million. Higher rental income resulted from more space leased on average as well as contractual rate increases; revaluation gains benefited from improving occupancy; and net lease income (i.e. expense reimbursement) was driven higher mainly by increased utility costs.

Other income for the quarter and the year-to-date decreased to \$35 million from \$53 million and \$96 million from \$142 million respectively, driven by non-recurrence of insurance and loan recoveries.

Group operating profit for the nine months more than doubled to \$1,466 million compared to \$543 million during 2017, driven by the improvements in investment and property income partially offset by lower other income and higher operating expenses (up 15% to \$1,206 million from \$1,049 million).

Finance costs for the year-to-date increased by \$6 million to \$447 million, resulting from higher average debt balances mostly offset by lower interest rates.

Our segment results reflect nine-month profit before tax of the property segment improving to \$347 million in the current year from \$247 million in 2017. The investments segment posted profit before tax of \$3,564 million versus \$2,644 million in 2017.

Associated and joint venture companies

The results of associated companies consist principally of our 31% 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”).

Our share of results of associated and joint venture companies for the third quarter was \$1,183 million, bringing the year to date total to \$2,993 million versus \$2,966 million for 2017, an increase of 1%. This includes the nine-month total share of earnings from Sagicor of \$2,757 million, 3% lower than the prior year figure of \$2,839 million. Sagicor’s results reflect generally strong business line performances offset by write-downs relating to certain financial instruments, particularly Barbadian sovereign bonds.

Balance Sheet

Total assets at September 30, 2018 amounted to \$45.3 billion, compared to \$39.4 billion at December 31, 2017, an increase of 15%. Stockholders’ equity increased 9% to \$33.1 billion (December 31, 2017: \$30.5 billion), which equates to a book value per stock unit of \$31.38 (December 31, 2017: \$29.03).

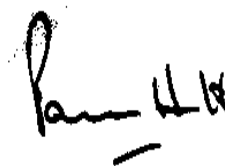
Outlook

According to the Statistical Institute of Jamaica’s July 2018 labour survey, the unemployment rate has fallen to 8.4%, having been as high as 12.9% just two years earlier. The most recent GDP statistics show a 2.2% annualized growth rate for the June 2018 quarter, while the Jamaica Stock Exchange continues to reflect strengthening optimism, up 24% for the calendar year through the end of September.

PanJam has increased its exposure to Jamaican assets in light of this favourable environment, which we expect to remain for the short and medium term. We continue to seek additional opportunities in this regard.



Stephen B. Facey
Chairman & Chief Executive Officer



Paul R. Hanworth
Director & Chief Operating Officer

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Income Statement
Nine months ended 30 September 2018

	3 Months to Sep-18 \$'000	3 Months to Sep-17 \$'000	YTD Sep-18 \$'000	YTD Sep-17 \$'000
Income				
Investments	1,064,074	201,664	1,209,179	331,582
Property	462,345	388,462	1,366,636	1,118,537
Other	34,821	53,358	95,887	141,733
	1,561,240	643,484	2,671,702	1,591,852
Operating expenses	(430,471)	(352,612)	(1,205,636)	(1,048,932)
Operating profit	1,130,769	290,872	1,466,066	542,920
Finance costs	(137,182)	(161,806)	(447,351)	(441,181)
	993,587	129,066	1,018,715	101,739
Gains on disposal of associated company	-	-	47,305	-
Share of results of associated companies	1,182,766	1,114,862	2,993,139	2,965,575
Profit before taxation	2,176,353	1,243,928	4,059,159	3,067,314
Taxation	(238,519)	(15,224)	(297,992)	(54,965)
Net profit	1,937,834	1,228,704	3,761,167	3,012,349
Net profit attributable to:				
Owners of the parent	1,930,048	1,215,122	3,739,015	2,974,230
Non-controlling interest	7,786	13,582	22,152	38,119
	1,937,834	1,228,704	3,761,167	3,012,349
Earnings per stock unit attributable to owners of the parent for the period	\$1.84	\$1.16	\$3.56	\$2.83

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Comprehensive Income
Nine months ended 30 September 2018

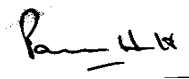
	3 Months to Sep-18 \$'000	3 Months to Sep-17 \$'000	YTD Sep-18 \$'000	YTD Sep-17 \$'000
Net profit for the period	1,937,834	1,228,704	3,761,167	3,012,349
Other comprehensive income, net of taxes				
<i>Items that will not be reclassified to profit or loss</i>				
Share of other comprehensive income of associated company, net of taxation	-	-	32,953	-
<i>Items that may be subsequently reclassified to profit or loss</i>				
Unrealised gains on investments, net of tax	2,232	52,932	14,784	96,982
Losses recycled to profit and loss on disposal and maturity of investment assets	-	(7,116)	2,820	129
Exchange differences on translating foreign operations	(691)	909	5,517	1,711
Share of other comprehensive income of associates	300,061	482,524	(434,224)	710,614
	301,602	529,249	(411,103)	809,436
TOTAL COMPREHENSIVE INCOME	2,239,436	1,757,953	3,383,017	3,821,785
Total comprehensive income attributable to				
Owners of the parent	2,231,650	1,744,371	3,360,865	3,783,666
Non-controlling interest	7,786	13,582	22,152	38,119
	2,239,436	1,757,953	3,383,017	3,821,785

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Financial Position
as at 30 September 2018

	Unaudited Sept 2018 \$'000	Audited December 2017 \$'000	Unaudited Sept 2017 \$'000
ASSETS			
Cash and Bank Balances	91,522	107,320	87,204
Investments			
Deposits	386,348	590,696	470,212
Investment Securities	7,786,883	3,176,113	3,052,246
Securities purchased under agreements to resell	588,619	1,023,635	878,820
Investment properties	8,043,044	7,839,676	6,399,162
Investment in associated companies	26,127,567	24,919,991	23,520,233
	42,932,461	37,550,111	34,320,673
Other assets			
Taxation recoverable	61,985	34,577	42,527
Deferred tax assets	68	68	3,422
Development in progress projects	1,140,278	726,334	723,343
Receivables and other assets	573,747	488,492	516,122
Property, plant and equipment	451,434	398,523	634,053
Intangibles	29,295	47,608	27,976
	2,256,807	1,695,602	1,947,443
	45,280,790	39,353,033	36,355,320
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	72,014	61,475	53,178
Property revaluation reserve	4,136,451	3,940,954	3,593,291
Investment and other reserves	2,933,269	3,535,634	3,456,423
Retained earnings	24,124,666	21,195,513	19,756,203
Treasury stock	(332,003)	(348,500)	(315,961)
	33,076,382	30,527,061	28,685,119
Non-controlling interest	295,051	272,899	250,881
	33,371,433	30,799,960	28,936,000
Liabilities			
Bank overdraft	11,521	5,802	4,655
Taxation payable	40,145	8,512	14,159
Bank and other loans	10,592,727	7,474,718	6,583,221
Finance lease liability	8,533	11,537	8,134
Deferred tax liability	383,808	176,533	147,021
Retirement benefit liabilities	324,511	274,112	251,549
Payables and other liabilities	548,112	601,859	410,581
Total liabilities	11,909,357	8,553,073	7,419,320
	45,280,790	39,353,033	36,355,320



Stephen B. Facey
 Director



Paul R. Hanworth
 Director

PANJAM INVESTMENT LIMITED
Unaudited Consolidated Statement of Changes in Equity
for the period ended 30 September 2018

30-Sep-17

-----Owners Of The Parent-----								
	Equity	Property	Investment	Retained	Treasury	Non-controlling	Total	
Share	Compensation	Revaluation	and other	Earnings	Shares	Interests	Total	
Capital	reserve	Reserves	reserves	\$'000	\$'000	\$'000	\$'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	-	-	-	-	2,974,230	-	38,119	3,012,349
Other comprehensive income	-	-	-	809,436	-	-	-	809,436
Total comprehensive income for the period	-	-	-	809,436	2,974,230	-	38,119	3,821,785
Dividends paid to non-controlling interest	-	-	-	-	-	-	(375,000)	(375,000)
Transactions with owners								
Dividends paid	-	-	-	-	(630,887)	-	-	(630,887)
Employee share option scheme value of services provided	-	24,900	-	-	-	-	-	24,900
Employee share grants/options issued	-	(17,776)	-	7,636	-	19,973	-	9,833
Acquisition of treasury stocks	-	-	-	-	-	(34,528)	-	(34,528)
Employee share purchases	-	-	-	3,548	-	3,498	-	7,046
Change in reserves of associated company	-	-	-	(144,382)	-	-	-	(144,382)
Property revaluation gains	-	-	115,646	-	(115,646)	-	-	-
Balance at end 30 September 2017	2,141,985	53,178	3,593,291	3,456,423	19,756,203	(315,961)	250,881	28,936,000

30-Sep-18

-----Owners Of The Parent-----								
	Equity	Property	Investment	Retained	Treasury	Non-controlling	Total	
Share	Compensation	Revaluation	and other	Earnings	Shares	Interests	Total	
Capital	Reserve	Reserve	reserves	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2018	2,141,985	61,475	3,940,954	3,535,634	21,195,513	(348,500)	272,899	30,799,960
Effects of adopting IFRS 9	-	-	-	(321,140)	175,555	-	-	(145,585)
Restated balance at 1 January 2018	2,141,985	61,475	3,940,954	3,214,494	21,371,068	(348,500)	272,899	30,654,375
Comprehensive Income								
Net profit	-	-	-	-	3,739,015	-	22,152	3,761,167
Other comprehensive income	-	-	-	(378,150)	-	-	-	(378,150)
Total comprehensive income for the period	-	-	-	(378,150)	3,739,015	-	22,152	3,383,017
Transactions with the owners								
Dividends paid	-	-	-	-	(789,920)	-	-	(789,920)
Employee share option scheme value of services provided	-	29,571	-	-	-	-	-	29,571
Employee share grants/options issued	-	(19,032)	-	8,473	-	18,702	-	8,143
Acquisition of treasury stocks	-	-	-	-	-	(5,049)	-	(5,049)
Employee share purchases	-	-	-	5,299	-	2,844	-	8,143
Change in reserves of associated company	-	-	-	83,153	-	-	-	83,153
Property revaluation gains	-	-	195,497	-	(195,497)	-	-	-
Balance at 30 September 2018	2,141,985	72,014	4,136,451	2,933,269	24,124,666	(332,003)	295,051	33,371,433

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Cash Flows
Nine months ended 30 September 2018

	9-Months to September 2018 \$'000	9-Months to September 2017 \$'000
Net profit	3,761,167	3,012,349
Items not affecting cash		
Share of results of associated and joint venture companies	(2,993,139)	(2,965,575)
Fair value gains on investment properties	(203,367)	(123,144)
Foreign currency gain, net	(96,626)	(19,047)
Gain on disposal of associated company	(47,305)	-
Other	<u>(267,084)</u>	<u>356,473</u>
	153,646	261,056
Changes in operating assets and liabilities		
Other assets	(47,656)	(172,655)
Other liabilities	<u>(49,710)</u>	<u>(12,251)</u>
	56,280	76,150
Interest received	53,272	80,089
Income tax paid	<u>(59,043)</u>	<u>(32,237)</u>
Net cash provided by operations	50,509	124,002
Cash flows from investing activities		
(Acquisition)/disposal of investment securities, net	(3,441,176)	614,435
Acquisition/improvement of investment properties	-	(612,058)
Acquisition of property, plant and equipment	(78,066)	(49,823)
Other investment activities	(480,365)	(7,844)
Investment in associated company	(2,621)	-
Proceeds from disposal of investment in associated company	355,032	-
Dividends received from associated company	<u>1,016,910</u>	<u>886,418</u>
Net cash (used in)/provided by investing activities	<u>(2,630,286)</u>	<u>831,128</u>
Cash flows from financing activities		
Dividends paid to equity holders	(789,920)	(841,006)
Dividends paid to minority interests	-	(375,000)
Disposal/(acquisition) of treasury stocks, net	16,498	(11,057)
Loan received	3,742,705	2,986,139
Loans repaid	(624,079)	(1,539,844)
Interest paid	(447,944)	(497,780)
Other financing activities	<u>(3,004)</u>	<u>(3,622)</u>
Net cash provided by/(used in) financing activities	<u>1,894,256</u>	<u>(282,170)</u>
Net (decrease)/increase in cash and cash equivalents	(685,521)	672,960
Cash & cash equivalents at beginning of the period	<u>1,639,010</u>	<u>686,846</u>
Cash & cash equivalents at end of the period	<u><u>953,489</u></u>	<u><u>1,359,806</u></u>
Comprising of:		
Cash at bank and in hand	91,522	87,204
Short term deposits	284,869	398,437
Securities purchased under agreement to resell	588,619	878,820
Overdraft	<u>(11,521)</u>	<u>(4,655)</u>
	<u><u>953,489</u></u>	<u><u>1,359,806</u></u>

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

September 30, 2018

	Property Management & Rental	Investments	Other Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE					
External	1,432,134	1,191,866	47,702	-	2,671,702
Inter-segment	19,503	145,506	-	(165,009)	-
Total revenue	1,451,637	1,337,372	47,702	(165,009)	2,671,702
Segment results	518,824	913,201	34,041	-	1,466,066
Interest expense	(171,697)	(389,394)	-	113,740	(447,351)
	347,127	523,807	34,041	113,740	1,018,715
Share of results of associated companies	-	2,993,139	-	-	2,993,139
Profit before taxation	347,127	3,564,251	34,041	113,740	4,059,159
Taxation	(32,167)	(264,730)	(1,095)	-	(297,992)
Net profit	314,960	3,299,521	32,946	113,740	3,761,167
Segment assets	10,276,571	10,080,518	321,761	(1,525,627)	19,153,223
Investment in associated companies	-	26,127,567	-	-	26,127,567
Total assets	10,276,571	36,208,085	321,761	(1,525,627)	45,280,790
Segment liabilities	3,115,475	10,153,121	166,388	(1,525,627)	11,909,357

September 30, 2017

	Property Management & Rental	Investments	Other Service	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE					
External	1,172,395	310,822	108,635	-	1,591,852
Inter-segment	2,228	119,001	1,730	(122,959)	-
Total revenue	1,174,623	429,823	110,365	(122,959)	1,591,852
Segment results	368,186	82,715	92,019	-	542,920
Interest expense	(121,410)	(403,938)	-	84,167	(441,181)
	246,776	(321,223)	92,019	84,167	101,739
Share of results of associated companies	-	2,965,575	-	-	2,965,575
Profit before taxation	246,776	2,644,352	92,019	84,167	3,067,314
Taxation	(27,328)	(12,207)	(15,430)	-	(54,965)
Net profit	219,448	2,632,145	76,589	84,167	3,012,349
Segment assets	8,512,027	5,328,056	306,562	(1,311,558)	12,835,087
Investment in associated companies	-	23,520,233	-	-	23,520,233
Total assets	8,512,027	28,848,289	306,562	(1,311,558)	36,355,320
Segment liabilities	2,434,780	6,139,005	157,093	(1,311,558)	7,419,320

Notes to the Unaudited Consolidated Interim Financial Statements

30 September 2018

1. Basis of preparation

The unaudited consolidated interim financial statements have been prepared in accordance with IAS 34 “interim Financial Reporting”. The consolidated interim financial statements should be read in conjunction with the accounting policies as outlined in note 2 of the 31 December 2017 audited financial statements except for the accounting policy in relations to financial instrument.

Effective 1 January 2018, the Group adopted IFRS 9 “Financial Instruments” which resulted in changes in its accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the provision of IFRS 9 the prior year comparative figures have not been restated.

Classification and measurement:

The classification and measurement are based on the business model used by the Group for managing its financial assets and contractual cash flows.

Equity:

Except for equities held in associated companies (in accordance with IAS 28), all equity instruments are measured at fair value. Equity instruments that are held for trading are measured at FVTPL (fair value through profit and loss). For equity instruments that are not held for trading the group can make an irrevocable election on initial recognition on an instrument by instrument basis to present changes in fair value through OCI (other comprehensive income) or FVTPL. For equity instruments at FVOCI (fair value other comprehensive income) there is no recycling of amounts from OCI to profit and loss on the sale of the equity instrument. Dividends on equity instruments will continue to be recognised in the income statement.

Debt instruments:

The Group classifies its debt instruments into two categories:

Amortised cost: Financial assets that are held for the collection of its contractual cash flows and where these cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these instruments is recognised in the income statement. Impairment losses are also recognised in the income statement.

FVOCI: Financial assets that are held for both its contractual cash flows and to sell and where the cash flows represent solely payments of principal and interest are measured at FVOCI. Fair value changes for these financial assets are accounted for in OCI. Interest earned and impairment gains or losses are recognized in the income statements.

PanJam Investment Limited

Impairment:

The impairment model under IFRS 9 outlines a three stage approach that is based on expected credit losses (ECL). The result of this impairment model is the earlier recognition of credit losses. Forward looking information is also taken into account in determining the ECL. With our debt instruments the group uses historical default risk as well as the forward looking assigned credit ratings. For its trade receivables, the group uses a provision matrix to determine its ECL. Historical rate of default of each aged category of receivables as well as the impact of forward-looking information is used to determine the ECL.

2. Transition adjustments on adoption of IFRS 9

Reconciliation of Statement of Financial Position

The below tables show the impact of the transition to IFRS 9 on the Consolidated Statement of Financial Position at transition date, 1 January 2018.

Effect on Statement of Financial Position as at 1 January 2018

Unaudited

	31 December 2017 as originally presented	Effects of IFRS 9	1 January 2018 as restated
ASSETS			
Investment securities	3,176,113	(156)	3,175,957
Investment in associated companies	24,919,991	(145,429)	24,774,562
Other assets	11,256,929	-	11,256,929
	<u>39,353,033</u>	<u>(145,585)</u>	<u>39,207,448</u>
STOCKHOLDERS' EQUITY AND LIABILITIES			
Share capital	2,141,985	-	2,141,985
Equity compensation reserve	61,475	-	61,475
Property revaluation reserve	3,940,954	-	3,940,954
Investment and other reserves	3,535,634	(321,140)	3,214,494
Retained earnings	21,195,513	175,555	21,371,068
Treasury stock	(348,500)	-	(348,500)
	<u>30,527,061</u>	<u>(145,585)</u>	<u>30,381,476</u>
Non-controlling interest	272,899	-	272,899
Liabilities	<u>8,553,073</u>	<u>-</u>	<u>8,553,073</u>
	<u>39,353,033</u>	<u>(145,585)</u>	<u>39,207,448</u>

PanJam Investment Limited

Investment Securities 1 January 2018

Unaudited

Classification and measurement

	AFS \$'000	Amortised cost \$'000	FVOCI \$'000	FVTPL \$'000	Held to maturity \$'000	Loans & Receivables \$'000	Total \$'000
Closing balance 31 December 2017	1,944,898	-	-	1,063,775	119,171	48,269	3,176,113
Reclassify debt instruments from Held to maturity to amortised cost	-	119,155	-	-	(119,171)	(139)	(156)
Reclassify debt instruments from AFS to FVOCI	(601,501)	-	601,501	-	-	-	-
Reclassify equity instruments from AFS to FVOCI	(158,948)	-	158,948	-	-	-	-
Reclassify equity instruments from AFS to FVTPL	(1,184,449)	-	-	1,184,449	-	-	-
Opening balance 1 January 2018 - IFRS 9	-	119,155	760,449	2,248,224	-	48,130	3,175,957

Effect on equity as at 1 January 2018

Unaudited

	Investment & Other reserves \$'000	Retained earnings \$'000
Closing equities 31 December 2017	3,535,634	21,195,513
Cumulative transition adjustments on adoption of IFRS 9	(321,140)	175,555
Restated balance as at January 1, 2018	3,214,494	21,371,068