



PANJAM INVESTMENT LIMITED

Interim unaudited Consolidated
Financial Statements

30 June 2019

Interim Report to Stockholders

For the six months ended June 30, 2019

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 June 30, 2019.

Highlights

The second quarter's highlights are:

- Net profit attributable to shareholders of \$3,055 million (2018: \$982 million) for the quarter and \$3,947 million (2018: \$1,809 million) for the six months
- Return (annualized) on opening equity of 23% (2018: 12%)
- Earnings per stock unit of \$2.91 (2018: \$0.94) for the quarter and \$3.76 (2018: \$1.72) for the six months
- Book value per stock unit of \$36.65 at June 30, 2019 (December 31, 2018: \$31.94)
- Ordinary dividends of \$0.53 declared and paid through June 30, 2019 (2018: \$0.50)

Overview

Our net profit for the six-month period ended June 30, 2019 is more than double the comparable period last year, mainly resulting from improved investment income and gains from disposal of shares in associated companies.

Income Statement

Net profit attributable to shareholders for the quarter ended June 30, 2019 amounted to \$3,055 million (2018: \$982 million), an increase of over 200%. Earnings per stock unit were \$2.91 (2018: \$0.94). Net profit attributable to shareholders for the six months ended June 30, 2019 amounted to \$3,947 million, compared to \$1,809 million for 2018, an increase of over 100%, equivalent to basic earnings per stock unit of \$3.76 compared to \$1.72 for 2018.

Performance for the quarter was influenced positively by increases of \$1,069 million in investment income and \$279 million in share of results of associated companies, and a gain on disposal of shares in associated companies of \$941 million. Property and other income also improved by \$22 million and \$28 million respectively while operating expenses increased by \$45 million and finance costs by \$58 million. Performance for the year to date was influenced positively by increases of \$1,120 million in investment income and \$313 million in share of results of associates as well as the aforementioned gain on disposal. These, assisted by smaller increases in property and other income of \$32 million and \$28 million respectively, offset increases of \$74 million and \$68 million in operating expenses and finance costs respectively.

Group operating profit improved for the quarter and year to date by \$1,067 million and \$1,106 million respectively compared to 2018. The improvement in all income lines more than offset increased operating expenses and impairment charges.

Investment income improved primarily as a result of realised and unrealized gains on local listed equities as the Jamaica Stock Exchange continued to perform well. This was augmented by improved foreign exchange gains driven by higher Jamaican dollar devaluation year over year. Property income improved during 2019 due to improved occupancy and rental rates, which offset lower property revaluation gain accruals. Other income during 2019 was increased by collection of items previously written off. Operating expenses increased due mainly to higher staff-related and maintenance costs as well as higher electricity and insurance rates. Finance costs increased due to higher average debt balances and charges resulting from the prepayment of bonds with funds raised at lower interest rates.

Associated companies

The results of associated companies consisted principally of our investment in Sagicor, which ended the period at 30.7%. The marginal decrease in PanJam's ownership stake will provide capital for redeployment in new projects that align with our long-term goals. 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), Chukka Caribbean Adventures (operators of tours in Jamaica, Turks & Caicos and Belize) and Term Finance (operator of a consumer financing business). Investments made in certain Canadian limited partnership structures are also required to be treated as associated companies under accounting rules.

Our share of results of associated companies increased during the quarter by \$279 million to \$1,234 million (2018: \$955 million) and for the six-month period by \$313 million to \$2,123 million (2018: \$1,810 million). Our share of earnings from Sagicor for the period increased by \$338 million (21%) to \$1,986 million. Sagicor's half year results reflect strong new business and portfolio growth and improved equity and bond prices. In general, our other associated companies performed satisfactorily during the period.

Balance Sheet

Total assets at June 30, 2019 amounted to \$50.3 billion, compared to \$45.9 billion at December 31, 2018. Stockholders' equity increased to \$38.8 billion (December 31, 2018: \$33.7 billion), which equates to a book value per stock unit of \$36.65 (December 31, 2018: \$31.94).

Outlook

Fundamental economic indicators continue at or near all-time positives, with unemployment falling to 7.8% as at April 2019 and the benchmark six-month Treasury bill rate at a record 1.82% at the last auction. During the March quarter, the Bank of Jamaica reduced the policy interest rate by 25 basis points on two occasions. There was also a reduction in the cash reserve requirement for commercial banks. These measures were taken to improve liquidity and accelerate expansion of private sector credit, which should facilitate faster growth.

We continue to believe that other areas should be addressed in order to stimulate economic activity. Among the most important of these is improved efficiency of regulatory and bureaucratic systems, particularly those necessary for development projects to obtain approvals to proceed. High levels of crime and low confidence in solutions presented to date, as well as negative perceptions related to corruption in the public sector, also continue to be suppressive of growth. We would encourage our leaders to give these areas primary focus.



Stephen B. Facey
Chairman & Chief Executive Officer



Paul R. Hanworth
Director & Deputy Chief Executive Officer

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Income Statement
Six months ended 30 June 2019

| | 3 Months to Jun-19 \$'000 | 3 Months to Jun-18 \$'000 | YTD Jun-19 \$'000 | YTD Jun-18 \$'000 |
|--|--|--|----------------------------------|----------------------------------|
| Income | | | | |
| Investments | 1,184,367 | 114,924 | 1,278,489 | 157,857 |
| Property | 479,280 | 456,572 | 936,199 | 904,291 |
| Other | 57,056 | 28,836 | 89,090 | 61,066 |
| | 1,720,703 | 600,332 | 2,303,778 | 1,123,214 |
| Operating expenses | (446,321) | (401,431) | (847,487) | (773,031) |
| Impairment | (23,974) | (15,515) | (15,753) | (14,886) |
| Operating profit | 1,250,408 | 183,386 | 1,440,538 | 335,297 |
| Finance costs | (206,959) | (149,225) | (378,341) | (310,169) |
| | 1,043,449 | 34,161 | 1,062,197 | 25,128 |
| Gain on disposal of shares in associated companies | 941,001 | 47,305 | 941,001 | 47,305 |
| Share of results of associated companies | 1,233,810 | 954,866 | 2,123,188 | 1,810,373 |
| Profit before taxation | 3,218,260 | 1,036,332 | 4,126,386 | 1,882,806 |
| Taxation | (157,561) | (48,324) | (170,603) | (59,473) |
| Net profit | 3,060,699 | 988,008 | 3,955,783 | 1,823,333 |
| Net profit attributable to: | | | | |
| Owners of the parent | 3,055,232 | 981,947 | 3,946,852 | 1,808,967 |
| Non-controlling interest | 5,467 | 6,061 | 8,931 | 14,366 |
| | 3,060,699 | 988,008 | 3,955,783 | 1,823,333 |
| Earnings per stock unit attributable to owners of the parent for the period | \$2.91 | \$0.94 | \$3.76 | \$1.72 |

PanJam Investment Limited
and its subsidiaries
Unaudited Consolidated Statement of Comprehensive Income
Six months ended 30 June 2019

| | 3 Months to Jun-19 \$'000 | 3 Months to Jun-18 \$'000 | YTD Jun-19 \$'000 | YTD Jun-18 \$'000 |
|---|--|--|----------------------------------|----------------------------------|
| Net profit for the period | 3,060,699 | 988,008 | 3,955,783 | 1,823,333 |
| Other comprehensive income, net of taxes | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | |
| Change in the fair value of equity instruments at fair value through other comprehensive income | 15,384 | - | 21,054 | - |
| Share of other comprehensive income of associated company, net of taxation | 2,104 | 32,953 | (121,306) | 32,953 |
| | 17,488 | 32,953 | (100,252) | 32,953 |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | | | |
| Unrealised gains on investments, net of tax | 8,753 | (1,995) | 21,867 | 12,552 |
| Losses recycled to profit and loss on disposal and maturity of investment assets | - | - | - | 2,820 |
| Exchange differences on translating foreign operations | 4,456 | 6,089 | 2,135 | 6,208 |
| Share of other comprehensive income of associates | 806,092 | (314,819) | 1,711,639 | (734,285) |
| | 819,301 | (310,725) | 1,735,641 | (712,705) |
| TOTAL COMPREHENSIVE INCOME | 3,897,488 | 710,236 | 5,591,172 | 1,143,581 |
| Total comprehensive income attributable to | | | | |
| Owners of the parent | 3,892,021 | 704,175 | 5,582,241 | 1,129,215 |
| Non-controlling interest | 5,467 | 6,061 | 8,931 | 14,366 |
| | 3,897,488 | 710,236 | 5,591,172 | 1,143,581 |

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Financial Position
as at 30 June 2019

| | Unaudited June 2019 \$'000 | Audited December 2018 \$'000 | Unaudited June 2018 \$'000 |
|--|-------------------------------------|---------------------------------------|-------------------------------------|
| ASSETS | | | |
| Cash and Bank Balances | 125,516 | 133,461 | 101,402 |
| Investments | | | |
| Deposits | 624,848 | 462,483 | 285,193 |
| Securities | | | |
| Financial assets at fair value through other comprehensive income | 827,900 | 767,844 | 782,733 |
| Financial assets at fair value through profit and loss | 7,794,599 | 6,594,390 | 3,196,436 |
| Financial assets at amortised cost | 87,086 | 93,004 | 108,366 |
| Securities purchased under agreements to resell | 1,196,059 | 906,414 | 546,081 |
| Investment properties | 8,459,594 | 8,358,674 | 7,975,255 |
| Investment in associated companies | 28,634,961 | 26,348,546 | 24,681,563 |
| | 47,625,047 | 43,531,355 | 37,575,627 |
| Other assets | | | |
| Taxation recoverable | 71,320 | 68,397 | 51,361 |
| Deferred tax assets | - | - | 68 |
| Development in progress projects | 1,157,999 | 1,156,515 | 1,140,078 |
| Receivables and other assets | 784,770 | 514,850 | 608,136 |
| Property, plant and equipment | 509,539 | 428,433 | 431,728 |
| Intangibles | 33,082 | 33,082 | 35,400 |
| | 2,556,710 | 2,201,277 | 2,266,771 |
| | 50,307,273 | 45,866,093 | 39,943,800 |
| 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 | 65,432 | 73,956 | 60,371 |
| Property revaluation reserve | 4,524,475 | 4,423,555 | 4,071,285 |
| Investment and other reserves | 3,938,179 | 2,216,173 | 2,634,500 |
| Retained earnings | 28,469,352 | 25,183,909 | 22,523,285 |
| Treasury stock | (327,115) | (305,907) | (332,112) |
| | 38,812,308 | 33,733,671 | 31,099,314 |
| Non-controlling interest | 309,376 | 300,445 | 287,265 |
| | 39,121,684 | 34,034,116 | 31,386,579 |
| Liabilities | | | |
| Bank overdraft | 4,935 | 13,719 | 5,710 |
| Taxation payable | 104,487 | 40,145 | 40,145 |
| Bank and other loans | 9,603,397 | 10,559,530 | 7,367,886 |
| Lease liability | 42,204 | 8,106 | 9,294 |
| Deferred tax liability | 526,812 | 435,586 | 170,962 |
| Retirement benefit liabilities | 286,696 | 250,806 | 304,831 |
| Payables and other liabilities | 617,058 | 524,085 | 658,393 |
| Total liabilities | 11,185,589 | 11,831,977 | 8,557,221 |
| | 50,307,273 | 45,866,093 | 39,943,800 |



Stephen B. Facey
Chairman & Chief Executive Officer



Paul R. Hanworth
Director & Deputy Chief Executive Office

PANJAM INVESTMENT LIMITED
Unaudited Consolidated Statement of Changes in Equity
for the period ended 30 June 2019

30-Jun-18

| \-----Owners Of The Parent-----/ | | | | | | | | |
|---|----------------------------|---|---|---|--------------------------------|------------------------------|--|-------------------|
| | Share Capital \$'000 | Equity Compensation reserve \$'000 | Property Revaluation Reserves \$'000 | Investment and other reserves \$'000 | Retained Earnings \$'000 | Treasury Shares \$'000 | Non-controlling Interests \$'000 | Total \$'000 |
| Balance at 1 January 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 | - | - | - | - | 1,808,967 | - | 14,366 | 1,823,333 |
| Other comprehensive income | - | - | - | (679,752) | - | - | - | (679,752) |
| Total comprehensive income for the period | - | - | - | (679,752) | 1,808,967 | - | 14,366 | 1,143,581 |
| Transactions with owners | | | | | | | | |
| Dividends paid | - | - | - | - | (526,419) | - | - | (526,419) |
| Employee share option scheme value of services provided | - | 17,928 | - | - | - | - | - | 17,928 |
| Employee share grants/options issued | - | (19,032) | - | 8,473 | - | 18,702 | - | 8,143 |
| Acquisition of treasury stocks | - | - | - | - | - | (2,314) | - | (2,314) |
| Change in reserves of associated company | - | - | - | 91,285 | - | - | - | 91,285 |
| Property revaluation gains | - | - | 130,331 | - | (130,331) | - | - | - |
| Balance at 30 June 2018 | 2,141,985 | 60,371 | 4,071,285 | 2,634,500 | 22,523,285 | (332,112) | 287,265 | 31,386,579 |

30-Jun-19

| \-----Owners Of The Parent-----/ | | | | | | | | |
|---|----------------------------|---|--|---|--------------------------------|------------------------------|--|-------------------|
| | Share Capital \$'000 | Equity Compensation Reserve \$'000 | Property Revaluation Reserve \$'000 | Investment and other reserves \$'000 | Retained Earnings \$'000 | Treasury Shares \$'000 | Non-controlling Interests \$'000 | Total \$'000 |
| Balance at 1 January 2019 | 2,141,985 | 73,956 | 4,423,555 | 2,216,173 | 25,183,909 | (305,907) | 300,445 | 34,034,116 |
| Comprehensive income | | | | | | | | |
| Net profit | - | - | - | - | 3,946,852 | - | 8,931 | 3,955,783 |
| Other comprehensive income | - | - | - | 1,635,389 | - | - | - | 1,635,389 |
| Total comprehensive income for the period | - | - | - | 1,635,389 | 3,946,852 | - | 8,931 | 5,591,172 |
| Transactions with owners | | | | | | | | |
| Dividends paid | - | - | - | - | (560,489) | - | - | (560,489) |
| Employee share option scheme value of services provided | - | 23,812 | - | - | - | - | - | 23,812 |
| Employee share grants/options issued | - | (32,336) | - | 56,781 | - | 111,472 | - | 135,917 |
| Acquisition of treasury stocks | - | - | - | - | - | (132,680) | - | (132,680) |
| Change in reserves of associated company | - | - | - | 29,836 | - | - | - | 29,836 |
| Property revaluation gains | - | - | 100,920 | - | (100,920) | - | - | - |
| Balance at 30 June 2019 | 2,141,985 | 65,432 | 4,524,475 | 3,938,179 | 28,469,352 | (327,115) | 309,376 | 39,121,684 |

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Cash Flows
Six months ended 30 June 2019

| | 6-Months to June 2019 \$'000 | 6-Months to June 2018 \$'000 |
|--|---|---|
| Net profit | 3,955,783 | 1,823,333 |
| Adjustments to reconcile net profit to cash flows provided by operating activities: | | |
| Share of results of associated companies | (2,123,188) | (1,810,373) |
| Fair value gains on investment properties | (100,920) | (135,578) |
| Gains on foreign currency denominated investments | (61,572) | (46,005) |
| Gain on disposal of shares in associated companies | (941,001) | (47,305) |
| Other | (440,874) | 323,175 |
| | <u>288,228</u> | <u>107,247</u> |
| Changes in operating assets and liabilities | | |
| Other assets | (242,565) | (148,465) |
| Other liabilities | 92,973 | 76,531 |
| Change in financial assets at fair value through profit or loss | (13,167) | (621,860) |
| | <u>125,469</u> | <u>(586,547)</u> |
| Interest received | 42,749 | 38,159 |
| Income tax paid | (16,143) | (33,411) |
| Net cash provided by/(used in) operations | <u>152,075</u> | <u>(581,799)</u> |
| Cash flows from investing activities | | |
| Acquisition of investment securities, net | (155,718) | (155,624) |
| Proceeds from disposal of shares in associated companies | 1,647,867 | 355,032 |
| Other investment activities | (233,113) | (413,744) |
| Acquisition of property, plant and equipment | (86,397) | (50,679) |
| Dividends from associated companies | 981,665 | 985,598 |
| Net cash provided by investing activities | <u>2,154,304</u> | <u>720,583</u> |
| Cash flows from financing activities | | |
| Dividends paid to equity holders | (560,489) | (526,419) |
| (Acquisition)/Disposal of treasury stock, net | (21,208) | 5,829 |
| Loan received | 2,801,523 | 491,005 |
| Loans repaid | (3,811,162) | (585,324) |
| Interest paid | (324,835) | (322,682) |
| Other financing activities | (3,314) | (2,243) |
| Net cash Used in financing activities | <u>(1,919,485)</u> | <u>(939,834)</u> |
| Net increase/(decrease) in cash and cash equivalents | 386,894 | (801,050) |
| Cash & cash equivalents at beginning of the period | <u>1,267,163</u> | <u>1,639,010</u> |
| Cash & cash equivalents at end of the period | <u>1,654,057</u> | <u>837,960</u> |
| Comprising of: | | |
| Cash at bank and in hand | 125,516 | 101,402 |
| Short term deposits | 331,564 | 196,187 |
| Securities purchased under agreement to resell | 1,201,912 | 546,081 |
| Overdraft | (4,935) | (5,710) |
| | <u>1,654,057</u> | <u>837,960</u> |

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

June 30, 2019

| | Property Management & Rental \$'000 | Investments \$'000 | Other Services \$'000 | Eliminations \$'000 | Total \$'000 |
|--|--|-------------------------------|--------------------------------------|--------------------------------|-------------------------|
| REVENUE | | | | | |
| External | 984,149 | 1,287,141 | 32,488 | - | 2,303,778 |
| Inter-segment | 10,797 | 87,750 | - | (98,547) | - |
| Total revenue | 994,946 | 1,374,891 | 32,488 | (98,547) | 2,303,778 |
| Segment results | 366,515 | 1,052,630 | 21,393 | - | 1,440,538 |
| Interest expense | (97,633) | (346,078) | - | 65,370 | (378,341) |
| | 268,882 | 706,552 | 21,393 | 65,370 | 1,062,197 |
| Gain on disposal of shares in associated companies | - | 941,001 | - | - | 941,001 |
| Share of results of associated companies | - | 2,123,188 | - | - | 2,123,188 |
| Profit before taxation | 268,882 | 3,770,741 | 21,393 | 65,370 | 4,126,386 |
| Taxation | (14,984) | (155,252) | (367) | - | (170,603) |
| Net profit | 253,898 | 3,615,489 | 21,026 | 65,370 | 3,955,783 |
| Segment assets | 10,864,072 | 11,831,470 | 463,872 | (1,487,102) | 21,672,312 |
| Investment in associated companies | - | 28,634,961 | - | - | 28,634,961 |
| Total assets | 10,864,072 | 40,466,431 | 463,872 | (1,487,102) | 50,307,273 |
| Segment liabilities | 3,106,185 | 9,307,596 | 258,910 | (1,487,102) | 11,185,589 |

June 30, 2018

| | Property Management & Rental \$'000 | Investments \$'000 | Other Service \$'000 | Eliminations \$'000 | Total \$'000 |
|--|--|-------------------------------|-------------------------------------|--------------------------------|-------------------------|
| REVENUE | | | | | |
| External | 946,443 | 145,868 | 30,903 | - | 1,123,214 |
| Inter-segment | 13,027 | 101,109 | - | (114,136) | - |
| Total revenue | 959,470 | 246,977 | 30,903 | (114,136) | 1,123,214 |
| Segment results | 359,160 | (45,762) | 21,899 | - | 335,297 |
| Interest expense | (121,053) | (268,740) | - | 79,624 | (310,169) |
| | 238,107 | (314,502) | 21,899 | 79,624 | 25,128 |
| Gain on disposal of associated company | - | 47,305 | - | - | 47,305 |
| Share of results of associated and joint venture companies | - | 1,810,373 | - | - | 1,810,373 |
| Profit before taxation | 238,107 | 1,543,176 | 21,899 | 79,624 | 1,882,806 |
| Taxation | (21,520) | (37,240) | (713) | - | (59,473) |
| Net profit | 216,587 | 1,505,936 | 21,186 | 79,624 | 1,823,333 |
| Segment assets | 10,147,331 | 6,234,507 | 458,046 | (1,577,647) | 15,262,237 |
| Investment in associated and joint venture companies | - | 24,681,563 | - | - | 24,681,563 |
| Total assets | 10,147,331 | 30,916,070 | 458,046 | (1,577,647) | 39,943,800 |
| Segment liabilities | 3,085,683 | 6,783,561 | 265,624 | (1,577,647) | 8,557,221 |

Notes to the Unaudited Consolidated Interim Financial Statements

30 June 2019

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 2018 audited financial statements except for the adoption of IFRS 16 “Leases”, which became effective 1 January 2019.

The group adopted IFRS 16 “Leases” effective 1 January 2019 and, as allowed by the standard, has not restated prior comparative 2018 reporting period. The company recognised the present value of the remaining lease payments as the lease liability and the right-of-use asset for leases previously classified as operating leases. The incremental impact on the profit and loss from the adoption of this standard was not material.