



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

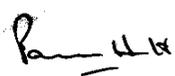
	3 Months to Jun-19 \$'000	3 Months to Jun-18 \$'000	YTD Jun-19 \$'000	YTD Jun-18 \$'000
Net profit for the period	3,060,699	988,008	3,955,783	1,823,333
Other comprehensive income, net of taxes				
<i>Items that will not be reclassified to profit or loss</i>				
Change in the fair value of equity instruments 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.