



Audited
**Consolidated
Financial Statements**

31 December 2020



PanJam Investment Limited

Financial Statements
31 December 2020

PanJam Investment Limited

Consolidated Income Statement

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

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Independent auditor's report

To the Members of PanJam Investment Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of PanJam Investment Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at December 31, 2020, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

The Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
 - the consolidated income statement for the year then ended;
 - the consolidated statement of comprehensive income for the year then ended;
 - the consolidated statement of changes in equity for the year then ended;
 - the consolidated statement of cash flows for the year then ended;
 - the company statement of financial position as at December 31, 2020;
 - the company income statement for the year then ended;
 - the company statement of comprehensive income for the year then ended;
 - the company statement of changes in equity for the year then ended;
 - the company statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include significant accounting policies and other explanatory information.
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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We determined the scope of our audit by first considering the internal organisation of the Group and identifying the components of the audit that have the most significant impact on the consolidated financial statements. The Group is comprised of twenty-eight components representing subsidiaries and associated companies. Full scope audit procedures were performed on three components while audits of one or more financial statement line items were performed for twelve components. For components not scoped as a full scope audit or an audit of one or more financial statement line items, detailed substantive analytical procedures were performed on the financial information. The audit procedures covered 98% of total assets and 96% of total revenue of the Group and were all performed by PwC Jamaica.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties (Group)

See notes 2 (j), 3 (v) and 16 to the consolidated financial statements for disclosures of related accounting policies, judgements and estimates.

Investment properties represented \$9,531 million or 15.3% of total assets for the Group as at the end of the reporting period. The determination of the fair value of investment properties requires significant judgement and, as such, was an area of focus for the audit.

Management, through an independent valuation expert, used three methods to value investment properties namely: comparable sales approach, discounted cash flow approach and the direct capitalisation approach.

We focused in particular on the direct capitalisation approach, the method used to value the majority of the properties, which takes into consideration a number of factors that require estimation and judgement. The key factors include:

- estimation of rental income;
- determination of a capitalisation factor; and
- estimation of vacancy factor.

Changes in these assumptions may have a significant impact on the carrying value of investment properties.

We met with the property valuers engaged by management, updated our understanding of the valuation process and obtained information on significant developments within the industry.

We assessed the competence and objectivity of the property valuers in order to determine whether they were appropriately qualified and whether there was any affiliation to the Group.

We assessed the appropriateness of the valuation methodology used in order to evaluate whether it was suitable for determining market value in accordance with the financial reporting framework.

We challenged the capitalisation and vacancy factors used by the property valuers by benchmarking the assumptions used to relevant market evidence which included performing comparisons to similar properties located in the same area. We also agreed the inputs used in estimating the rental income by the property valuers to supporting documentation. We further developed a point estimate based on the information obtained from performing the above procedures.

Based on the procedures performed, management's valuations were found to be consistent with our point estimate.



Key audit matter

How our audit addressed the key audit matter

Valuation of investments classified as fair value through profit or loss and classified as level 3 in the fair value hierarchy (Group and Company)

See notes 2 (i), 3 (ii), 15 and 34 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.

The fair values of financial instruments that are not quoted on an exchange, and for which one or more of the significant inputs are not based on observable market data, are classified as level 3 in the fair value hierarchy. In these instances, management determines the unobservable inputs using the best information available in the circumstances taking into account all information that is reasonably available. The lack of available observable market data resulted in greater estimation uncertainty and subjectivity which therefore led us to focus our attention on this area.

Investments for which observable market data was limited and were classified as level 3 investments totalled \$1,455 million (2.33% of total assets) and \$194 million (0.79% of total assets) for the Group and Company respectively as at the reporting date. These investments related primarily to investments in three funds as follows:

- The first fund investment itself invests primarily in other companies.
- For the second fund, the significant underlying asset is a hotel. The fair value of this asset was determined by management's expert using the discounted cash flow method.

We tested the fair value of the investments in these underlying funds by performing the following:

- Our audit procedures over the first fund included verifying the ownership of the companies in which the fund had an investment and using historical data, including audited financial statements, to assess the reliability of the fund manager's estimate of fair value.
- For the second fund, with the assistance of our valuation expert, we evaluated management's future cash flow forecast by tracing to forecasted revenue information for the industry in which the fund operates. We compared the discount rate to our researched market range. We also sensitised the discount rate used.
- For the third fund, we assessed the method used by management to determine fair value including whether it was appropriate based on the information available in the circumstances. We checked the inputs used in the valuation by agreeing the rental income and direct expenses to underlying supporting documents and used our own valuation expert to assist us in assessing the capitalisation rate.



Key audit matter	How our audit addressed the key audit matter
<p>Similar in set up to the second fund, the third fund's significant underlying asset is that of a shopping centre. A small portion of the asset was undeveloped at the reporting date. Management performed a valuation of the property using the direct capitalisation method for the completed portion of the property while the undeveloped portion of the property was measured at cost.</p>	<ul style="list-style-type: none"><li data-bbox="909 504 1510 598">• The net asset value and the number of units held in the funds were also confirmed with the fund managers. <p>We found management's valuation of these level 3 investments to be within an acceptable range of our estimation of fair value based on the outcome of our procedures.</p>

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Kevin Powell.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants
15 March 2021
Kingston, Jamaica

PanJam Investment Limited

Consolidated Income Statement

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
Income			
Investments	5	(523,250)	2,249,947
Property	6	2,138,113	2,229,318
Other	7	439,603	146,759
		2,054,466	4,626,024
Operating expenses	8	(1,700,948)	(1,766,912)
Net impairment losses on financial assets		(38,438)	(36,006)
Operating Profit		315,080	2,823,106
Finance costs	10	(835,909)	(664,800)
Share of results of associated companies	17	3,866,414	4,953,100
Gains on disposal of shares in associated companies	11	-	1,623,136
Profit before Taxation		3,345,585	8,734,542
Taxation	12	188,725	(384,277)
NET PROFIT		3,534,310	8,350,265
Attributable to:			
Owners of the parent		3,504,520	8,308,325
Non-controlling interests		29,790	41,940
		3,534,310	8,350,265
Earnings per stock unit attributable to owners of the parent during the year			
Basic and fully diluted	13	\$3.31	\$7.85

PanJam Investment Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	2020 \$'000	2019 \$'000
Net Profit for the year	<u>3,534,310</u>	<u>8,350,265</u>
Other Comprehensive Income, net of taxes		
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity instruments at fair value through other comprehensive income	(81,905)	83,437
Re-measurement of post-employment benefit obligations, net of taxation	(39,794)	(33,266)
Share of other comprehensive income of associated company, net of taxation	<u>(590,666)</u>	<u>244,437</u>
	<u>(712,365)</u>	<u>294,608</u>
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	8,744	4,210
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of taxation	7,137	25,900
Gains recycled to profit or loss on disposal and maturity of investment assets, net of taxation	-	(2,361)
Share of other comprehensive income of associated company, net of taxation	<u>1,973,140</u>	<u>1,897,177</u>
	<u>1,989,021</u>	<u>1,924,926</u>
TOTAL COMPREHENSIVE INCOME	<u><u>4,810,966</u></u>	<u><u>10,569,799</u></u>
Attributable to:		
Owners of the parent	4,781,176	10,527,859
Non-controlling interests	<u>29,790</u>	<u>41,940</u>
	<u><u>4,810,966</u></u>	<u><u>10,569,799</u></u>

PanJam Investment Limited

Consolidated Statement of Financial Position

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
ASSETS			
Cash and Bank Balances	14	125,149	160,129
Investments			
Deposits	14	694,275	699,319
Investment securities:			
Financial assets at fair value through other comprehensive income	15	1,219,231	797,232
Financial assets at fair value through profit or loss	15	7,584,640	8,961,181
Financial assets at amortised cost	15	3,646,796	229,835
		12,450,667	9,988,248
Securities purchased under agreements to resell	14	868,712	852,326
Investment properties	16	9,531,152	9,026,597
Investment in associated companies	17	35,339,651	31,078,668
		<u>58,884,457</u>	<u>51,645,158</u>
Other assets			
Taxation recoverable		73,749	77,140
Prepayments and miscellaneous assets	19	1,557,217	1,794,477
Property, plant and equipment	20	1,880,236	675,356
Intangibles	21	50,470	48,717
		<u>3,561,672</u>	<u>2,595,690</u>
		<u>62,571,278</u>	<u>54,400,977</u>

PanJam Investment Limited

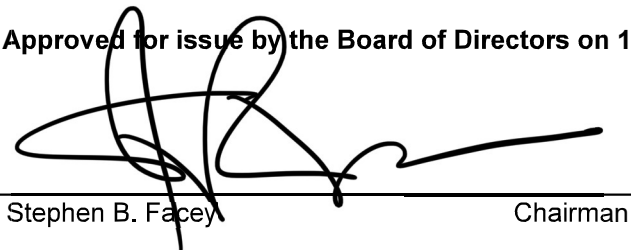
Consolidated Statement of Financial Position (Continued)

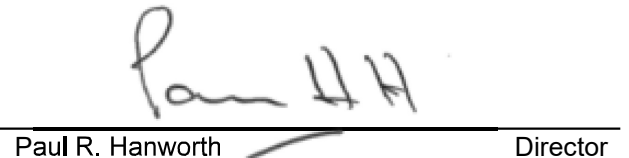
31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital and Reserves Attributable to Owners of the Parent			
Share capital	27	2,141,985	2,141,985
Equity compensation reserve	28	116,594	89,376
Property revaluation reserve	29	5,211,785	4,897,207
Investment and other reserves	30	5,395,698	4,029,178
Retained earnings		34,692,918	31,911,597
Treasury stock		(372,609)	(326,142)
		47,186,371	42,743,201
Non-Controlling Interests		286,675	342,385
		47,473,046	43,085,586
Liabilities			
Bank overdrafts	14	11,378	5,206
Taxation payable		81,447	88,286
Loan liabilities	24	13,663,531	9,343,742
Lease liabilities	25	34,979	40,504
Deferred tax liabilities	18	314,399	637,805
Retirement benefit liabilities	22	510,477	370,254
Other liabilities	26	482,021	829,594
		15,098,232	11,315,391
		62,571,278	54,400,977

Approved for issue by the Board of Directors on 15 March 2021 and signed on its behalf by:


 Stephen B. Facey Chairman


 Paul R. Hanworth Director

PanJam Investment Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

		\-----Attributable to Owners of the Parent-----\							
	Note	Share Capital	Equity Compensation Reserve	Property Revaluation Reserve	Investment and Other Reserves	Retained Earnings	Treasury Stock	Non- controlling Interests	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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		-	-	-	-	8,308,325	-	41,940	8,350,265
Other comprehensive income		-	-	-	2,106,899	112,635	-	-	2,219,534
Total comprehensive income for the year		-	-	-	2,106,899	8,420,960	-	41,940	10,569,799
Transactions with owners									
Employee share option scheme value of services provided	28	-	47,756	-	-	-	-	-	47,756
Employee share grants/options issued	28	-	(32,336)	-	56,523	-	111,731	-	135,918
Dividends paid to equity holders of the company	31	-	-	-	-	(1,386,576)	-	-	(1,386,576)
Share purchase plan		-	-	-	6,082	-	7,340	-	13,422
Acquisition of treasury stock		-	-	-	-	-	(139,306)	-	(139,306)
Gains realized on disposal of equity investment		-	-	-	(166,956)	166,956	-	-	-
Change in reserves of associated company		-	-	-	(189,543)	-	-	-	(189,543)
Total transactions with owners		-	15,420	-	(293,894)	(1,219,620)	(20,235)	-	(1,518,329)
Transfer of unrealised property revaluation gains		-	-	473,652	-	(473,652)	-	-	-
Balance at 31 December 2019		2,141,985	89,376	4,897,207	4,029,178	31,911,597	(326,142)	342,385	43,085,586

PanJam Investment Limited

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

		-----Attributable to Owners of the Parent-----\							
		Share Capital	Equity Compensation Reserve	Property Revaluation Reserve	Investment and Other Reserves	Retained Earnings	Treasury Stock	Non- controlling Interests	Total
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Balance at 1 January 2020	2,141,985	89,376	4,897,207	4,029,178	31,911,597	(326,142)	342,385	43,085,586
	Comprehensive income								
	Net profit	-	-	-	-	3,504,520	-	29,790	3,534,310
	Other comprehensive income	-	-	-	1,282,607	(5,951)	-	-	1,276,656
	Total comprehensive income for the year	-	-	-	1,282,607	3,498,569	-	29,790	4,810,966
	Dividend paid to non-controlling interest	-	-	-	-	-	-	(85,500)	(85,500)
	Transactions with owners								
	Employee share option scheme value of services provided	28	68,590	-	-	-	-	-	68,590
	Employee share grants/options issued	28	(41,372)	-	57,014	-	27,098	-	42,740
	Dividends paid to equity holders of the company	31	-	-	-	(402,670)	-	-	(402,670)
	Share purchase plan	-	-	-	2,023	-	4,085	-	6,108
	Acquisition of treasury stock	-	-	-	-	-	(77,650)	-	(77,650)
	Change in reserves of associated company	-	-	-	24,876	-	-	-	24,876
	Total transactions with owners	-	27,218	-	83,913	(402,670)	(46,467)	-	(338,006)
	Transfer of unrealized property revaluation gains	-	-	314,578	-	(314,578)	-	-	-
	Balance at 31 December 2020	2,141,985	116,594	5,211,785	5,395,698	34,692,918	(372,609)	286,675	47,473,046

PanJam Investment Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities	32	964,620	1,230,293
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	20	(1,372,428)	(396,084)
Proceeds from disposal of property, plant and equipment		29	681
Proceeds from disposal of land held for development		650,000	-
Acquisition of intangible asset	21	(6,964)	(15,635)
Improvements to investment properties	16	(51,009)	(12,838)
Proceeds from disposal of shares in associated companies	11	-	2,574,386
Investments in associated companies	17	(62,075)	(975,194)
Partial return of investment in associated companies	17	-	404,231
Dividends from associated companies	17	76,167	1,939,429
Acquisition of investment securities, net		(3,085,844)	(1,337,684)
Advances on future developments		(18,392)	(11,316)
Net cash (used in)/provided by investing activities		<u>(3,870,516)</u>	<u>2,169,976</u>
Cash Flows from Financing Activities			
Loans received		6,495,000	3,400,439
Loans repaid		(2,099,469)	(4,582,959)
Interest paid		(882,314)	(698,068)
Lease repayments		(5,525)	(5,022)
Acquisition of treasury stock		(77,650)	(139,306)
Disposal of treasury stock		31,183	119,071
Dividends paid to non-controlling interest		(85,500)	-
Dividends paid to equity holders		(668,503)	(1,121,801)
Net cash provided by/(used in) financing activities		<u>2,707,222</u>	<u>(3,027,646)</u>
Net (decrease)/increase in cash and cash equivalents		(198,674)	372,623
Effect of exchange rate changes on cash and cash equivalents		94,282	39,279
Cash and cash equivalents at beginning of year		1,684,589	1,272,687
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	<u>1,580,197</u>	<u>1,684,589</u>

PanJam Investment Limited

Company Income Statement

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
Income			
Investments	5	721,209	4,103,409
Other	7	49,099	74,019
		<u>770,308</u>	<u>4,177,428</u>
Expenses			
Operating expenses	8	(761,657)	(480,052)
Net impairment losses on financial assets		(9,250)	(35,762)
Finance costs	10	(778,498)	(602,402)
Gain on disposal of shares in associated company	11	-	2,291,176
		<u>(779,097)</u>	<u>5,350,388</u>
(Loss)/Profit before Taxation		(779,097)	5,350,388
Taxation	12	288,017	(215,570)
NET (LOSS)/PROFIT		<u>(491,080)</u>	<u>5,134,818</u>

PanJam Investment Limited

Company Statement of Comprehensive Income

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	2020 \$'000	2019 \$'000
Net (Loss)/Profit for the year	<u>(491,080)</u>	<u>5,134,818</u>
Other Comprehensive Income		
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income	(81,905)	83,437
Re-measurement of post-employment benefit obligations, net of taxation	<u>(49,841)</u>	<u>(72,845)</u>
	(131,746)	10,592
<i>Items that may be subsequently reclassified to profit or loss</i>		
Changes in the fair value of debt instruments at fair value through other comprehensive income, net of taxation	12,204	20,710
Gains recycled to profit or loss on disposal and maturity of investment assets, net of taxation	<u>-</u>	<u>(2,361)</u>
	<u>12,204</u>	<u>18,349</u>
TOTAL COMPREHENSIVE INCOME	<u><u>(610,622)</u></u>	<u><u>5,163,759</u></u>

PanJam Investment Limited

Company Statement of Financial Position

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
ASSETS			
Cash and Bank Balances	14	62,915	25,267
Investments			
Deposits	14	497,185	591,461
Investment securities:			
Financial assets at fair value through other comprehensive income	15	1,157,656	735,452
Financial assets at fair value through profit or loss	15	5,590,419	7,178,578
Financial assets at amortised cost	15	3,985,564	563,777
		10,733,639	8,477,807
Securities purchased under agreements to resell	14	703,231	587,296
Investment in subsidiaries	17	1,128,119	1,128,119
Investment in associated companies	17	7,601,617	7,885,397
		<u>20,663,791</u>	<u>18,670,080</u>
Other Assets			
Due from related parties	23	3,421,565	2,654,886
Taxation recoverable		68,423	29,354
Prepayments and miscellaneous assets	19	156,928	195,253
Property, plant and equipment	20	88,377	96,368
Intangibles	21	6,868	10,303
Retirement benefit assets	22	201,359	259,643
		<u>3,943,520</u>	<u>3,245,807</u>
		<u>24,670,226</u>	<u>21,941,154</u>

PanJam Investment Limited

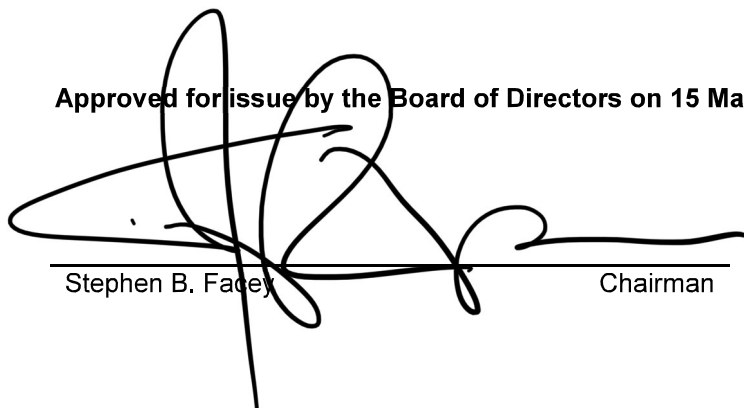
Company Statement of Financial Position (Continued)

31 December 2020


(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	27	2,141,985	2,141,985
Equity compensation reserve	28	49,752	34,688
Investment and other reserves	30	1,229,440	1,299,141
Retained earnings		7,708,738	8,654,799
		11,129,915	12,130,613
Liabilities			
Bank overdraft	14	11,377	5,206
Taxation payable		-	40,472
Due to related parties	23	17,831	3,869
Loan liabilities	24	13,008,237	8,621,231
Lease liabilities	25	64,315	71,639
Deferred tax liability	18	193,522	500,768
Retirement benefit liabilities	22	61,092	52,305
Other liabilities	26	183,937	515,051
		<u>13,540,311</u>	<u>9,810,541</u>
		<u>24,670,226</u>	<u>21,941,154</u>

Approved for issue by the Board of Directors on 15 March 2021 signed on its behalf by:



Stephen B. Facey
Chairman



Paul R. Hanworth
Director

PanJam Investment Limited

Company Statement of Changes in Equity

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Equity Compensation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2019		2,141,985	29,866	1,364,312	4,822,539	8,358,702
Comprehensive income						
Net profit		-	-	-	5,134,818	5,134,818
Other comprehensive income:		-	-	101,786	(72,845)	28,941
Total comprehensive income		-	-	101,786	5,061,973	5,163,759
Transactions with owners						
Employee share option scheme value of services provided	28	-	28,326	-	-	28,326
Employee share grants vested	28	-	(23,504)	-	-	(23,504)
Dividends paid	31	-	-	-	(1,396,670)	(1,396,670)
Total transactions with owners		-	4,822	-	(1,396,670)	(1,391,848)
Gains realised on disposal of equity investment		-	-	(166,957)	166,957	-
Balance at 1 January 2020		2,141,985	34,688	1,299,141	8,654,799	12,130,613
Comprehensive income						
Net loss		-	-	-	(491,080)	(491,080)
Other comprehensive income:		-	-	(69,701)	(49,841)	(119,542)
Total comprehensive income		-	-	(69,701)	(540,921)	(610,622)
Transactions with owners						
Employee share option scheme value of services provided	28	-	46,235	-	-	46,235
Employee share grants issued	28	-	(31,171)	-	-	(31,171)
Dividends paid	31	-	-	-	(405,140)	(405,140)
Total transactions with owners		-	15,064	-	(405,140)	(390,076)
Balance at 31 December 2020		2,141,985	49,752	1,229,440	7,708,738	11,129,915

PanJam Investment Limited

Company Statement of Cash Flows

Year ended 31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 \$'000	2019 \$'000
Cash Flows from Operating Activities	32	<u>525,847</u>	<u>2,835,227</u>
Cash Flows from Investing Activities			
Investment in associated companies	17	(62,075)	(769,357)
Acquisition of property, plant and equipment	20	(1,087)	(585)
Acquisition of intangible asset	21	-	(10,303)
Proceeds from disposal of shares in associated company	11	-	2,574,386
Partial return of investment in associated company	17	-	331,831
Acquisition of investment securities, net		<u>(2,768,024)</u>	<u>(1,474,966)</u>
Net cash (used in)/provided by investing activities		<u>(2,831,186)</u>	<u>651,006</u>
Cash Flows from Financing Activities			
Amount due from related parties		(752,717)	(183,900)
Loans received		6,495,000	3,393,013
Loans repaid		(2,032,242)	(4,487,903)
Interest paid		(823,801)	(627,833)
Lease liabilities		(8,435)	(8,128)
Dividends paid to equity holders	31	<u>(671,682)</u>	<u>(1,130,129)</u>
Net cash provided by/(used in) financing activities		<u>2,206,123</u>	<u>(3,044,880)</u>
Net (decrease)/increase cash and cash equivalents		(99,216)	441,353
Effect of exchange rate changes on cash and cash equivalents		59,118	4,253
Cash and cash equivalents at beginning of year		<u>1,203,253</u>	<u>757,647</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	<u><u>1,163,155</u></u>	<u><u>1,203,253</u></u>

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

- (a) PanJam Investment Limited (“the company”) is incorporated and domiciled in Jamaica and is listed on the Jamaica Stock Exchange (JSE).
- (b) The main activities of the company are holding investments and controlling the operations of its subsidiaries. The company’s income consists mainly of dividends, interest income and management fees earned from its subsidiaries. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.
- (c) The company’s subsidiaries, associated companies, and other consolidated entity, which, together with the company are referred to as “the group” are as follows:

Subsidiaries	Principal Activities	Proportion of Issued Equity Capital Held by	
		Company	Subsidiaries
Jamaica Property Company Limited	Property Management and Development	100%	-
Jamaica Property Development Limited	Property Development	-	100%
Jamaica Property Management Limited	Property Management	-	100%
Imbrook Properties Limited	Property Development	-	100%
Desnoes Estates Limited	Property Development	-	100%
Kingchurch Property Holdings Limited	Property Development and Management	-	100%
Downing Street (Caribbean Place) Limited	Property Development	-	100%
Portfolio Partners Limited	Investment Management	100%	-
Baywest Development Limited	Property Development	100%	-
Scott’s Preserves Limited	Food and Beverage	66.67%	-
PanJam Hospitality Limited	Hotel Management	100%	-
Knutsford Holdings Limited	Office Rental	32%	28%
Panacea Insurance Limited (Incorporated in St. Lucia)	Captive Insurance	-	100%
Castleton Investments Limited (Incorporated in St Lucia)	Investment Management	100%	-
Norbury Investments Limited (Incorporated in Canada)	Property Investment	-	100%
PJ-AL Corp Limited (Incorporated in United States)	Property Investment	100%	-
Palisadoes Investments Limited (Incorporated in Canada)	Investment Management	-	100%
Simcoe Investments Limited (Incorporated in Barbados)	Investment Management	100%	-

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

(c) continued

	<u>Principal Activities</u>	<u>Proportion of Issued Equity Capital Held by</u>	
		<u>Company</u>	<u>Subsidiaries</u>
Associated Companies			
Sagikor Group Jamaica Limited	Life and Health Insurance, Pension Management, Investment and Banking	30.22%	-
New Castle Company Limited (Incorporated in St. Lucia)	Consumer Products	33.33%	-
Chukka Caribbean Adventures Limited (Incorporated in St. Lucia)	Tourism	18%	-
Caribe Hospitality Jamaica Limited	Hotel Management	35%	-
Downing Street Realty Fund II Group (Incorporated in Canada)	Property Developers	-	16.16%
Downing Street Realty Fund VII (Incorporated in Canada)	Property Developers	-	30.63%
Downing Street Realty Fund XI (Incorporated in Canada)	Property Developers	-	41.23%
Williams Offices (Caribbean) Limited (Incorporated in Barbados)	Office Rental	25%	-
Term Finance Jamaica Limited	Loan Financing	20%	-
Outsourcing Management Limited (Incorporated in St. Lucia)	Business Process Outsourcing	15%	-
Other Consolidated Entity			
The PanJam Share Trust	Employees Share Ownership Plan	100%	-

(d) All of the company's subsidiaries and associated companies are incorporated and domiciled in Jamaica, except as otherwise indicated.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the group and the financial statements of the company standing alone (together referred to as the financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to published accounting standards effective in the current financial year

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial period. The group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

- **Amendments to IFRS 3 – definition of a business** (effective for annual periods beginning on or after 1 January 2020). To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

An entity can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. The amendment did not have a significant impact on the group and company.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)

- **Amendments to IAS 1 and IAS 8 on the definition of material** (effective for annual periods beginning on or after 1 January 2020). The amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendment did not have a significant impact on the group and company.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform** (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Inter-Bank Offered Rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. The amendment however did not have a significant impact on the group and company.
- **Revised Conceptual Framework for Financial Reporting** (effective for annual periods beginning on or after 1 January 2020). The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the group's accounting periods beginning on or after 1 January 2021 or later periods but were not effective at the statement of financial position date. The group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions** (effective for annual periods beginning on or after 1 June 2020). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. The adoption of this amendment is not expected have any significant impact on the group and company.

- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9** (effective for annual periods beginning on or after 1 January 2021). These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.
- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2** (effective for annual periods beginning on or after 1 January 2021). The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. Given the pervasive nature of IBOR-based contracts, the amendments could affect companies in all industries. The amendments are effective from 1 January 2021. This publication provides guidance on how to apply the Phase 2 amendments to various contracts and hedge accounting relationships, including the interaction with the Phase 1 reliefs for hedge accounting.
- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities** (effective for annual periods beginning on or after 1 January 2022). The IASB issued a narrow-scope amendment to IAS 1, 'Presentation of Financial Statements', to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

- **Amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16** (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

- **IFRS 17, 'Insurance contracts'** (effective for annual periods beginning on or after 1 January 2023). This standard replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

In the company stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) Transactions and non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(iii) Associates

Associates are all entities over which the group has significant influence but not control, generally but not necessarily accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. In the company's statement of financial position, investments in associates are shown at cost.

The results of associates with financial reporting year-ends that are different from the group are determined by prorating the results for the audited period as well as the period covered by management accounts (in the event that their accounting year ends more than three months prior to 31 December) to ensure that a full year of operations is accounted for, where applicable.

(c) Income recognition

(i) Interest income and expenses

Interest income from financial assets at fair value through profit or loss (FVPL) is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at fair value through other comprehensive income (FVOCI) is recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments.

(ii) Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognized in the income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Income recognition (continued)

(iii) Property income

Revenue comprises the invoiced value of rental and maintenance charges net of General Consumption Tax. Rental income from operating leases is recognised on a straight-line basis over the lease term. The Group currently does not provide incentives to its tenants.

The group assesses the individual elements of the lease agreements and assesses whether these individual elements are separate performance obligations. Where the contracts include multiple performance obligations, and/or lease and non-lease components, the transaction price is allocated to each performance obligation (lease and non-lease component) based on the stand-alone selling prices. These selling prices are predominantly fixed price per the agreements where the tenant pays the fixed amount based on a payment schedule. If the services rendered should exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

Revenue is measured at the transaction price agreed under the contract. The group currently does not have arrangements that include deferred payment terms.

A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iv) Commission income

Commissions are recognised as revenue on the transfer of the service at a point in time and recognized in the accounting period in which the service is transferred. There was no contract asset or contract liability recognised in the accounting period.

(v) Other income

Other income comprises of management fees and miscellaneous income. Management fees are contractual agreements with customers for the transfer of service at a point in time and are recognized in the accounting period in which the service is transferred. Management fee is calculated as a percentage of the total expenses and value of the portfolio where applicable. There was no contract asset or contract liability recognised during the accounting period (see note 7 for details).

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is also the company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary assets denominated in foreign currencies and classified at amortised cost are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes in amortised cost are recognised in the income statement, and other changes are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income or separate income statement presented are translated at average exchange rates; and
- All resulting exchange differences are recognized in other comprehensive income.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Taxation

Taxation expense in the income statement comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the income statement except where they relate to items recorded in other comprehensive income or equity, in which case they are also charged or credited to other comprehensive income or equity. Taxation is based on profit for the year adjusted for taxation purposes at rates applicable to the year.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable and tax losses in respect of the previous years.

(ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on rates enacted at the year-end date.

Deferred tax is not recognised on changes in the fair values of investment properties in excess of cost, as it is management's intention to recover such surplus through sale, which would not attract any taxes.

Deferred tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The group's financial assets comprise cash and bank balances, deposits, securities purchased under agreements to resell, investment securities, and accounts receivable including balances due from related parties. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial liabilities

The group's financial liabilities comprise bank overdraft, trade payables, loans, lease liabilities and other liabilities. They are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

The fair values of the group's and the company's financial instruments are discussed in Note 34.

PanJam Investment Limited

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31 December 2020

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2. Significant Accounting Policies (Continued)

(g) Accounts receivable

Trade and managed properties receivables

Trade receivables are amounts due from tenants and customers for rent and maintenance during the accounting period. Managed properties receivables are due from customers for expenses incurred during the accounting period for the management of properties owned by these customers. Trade and managed properties receivables are generally due for settlement within 30 days and therefore are all classified as current. They are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade and managed properties receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the trade and managed properties receivables, their carrying amount is considered to be the same as their fair value. The group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 33(b) for further details.

Other miscellaneous assets

The group classifies other miscellaneous assets at amortised cost when both of the following criteria are met:

- the asset is held within a business model where the objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Due to the short-term nature of the other miscellaneous assets excluding land awaiting development, their carrying amount is considered to be the same as their fair value. Land awaiting development at year end was \$869,977,000 (2019 – \$1,167,831,000) representing purchase consideration and associated costs capitalised.

(h) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost and adjusted for any potential credit loss. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise investment securities with less than 90 days maturity from the date of acquisition including cash balances, short term deposits, securities purchased under agreements to resell and bank overdrafts (Note 14).

PanJam Investment Limited

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2. Significant Accounting Policies (Continued)

(i) Investments

(i) Classification

The group classifies its financial assets in the following measurement categories:

- At fair value (either through OCI or through profit or loss); and
- At amortised cost.

The classification is based on the company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in profit or loss or OCI.

The group will reclassify debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus transaction cost directly attributable to the acquisition of the financial asset in the case of a financial asset not at FVPL. Transaction costs that are directly attributable to the acquisition of the financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments is based on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in gains/ (losses). Impairment losses are presented as a separate line item in profit or loss

PanJam Investment Limited

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2. Significant Accounting Policies (Continued)

(i) Investments (continued)

(iii) Measurement (continued)

- FVOCI – Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in investment income. Interest income from these financial assets is included in investment income using the effective interest rate method. Foreign exchange gains and losses are also presented in investment income and impairment expenses are presented as a separate line item in the statement of profit or loss.
- FVPL - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Gains or losses on a debt investment that is subsequently measured at FVPL are recognised in profit or loss and presented net within investment income in the period in which they arise.

Equity instruments

The group measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the group's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in investment income in the profit or loss statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost (including cash and cash equivalents but excluding bank balances) and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

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2. Significant Accounting Policies (Continued)

(j) Investment property

Investment property is held for long-term rental yields and is not occupied by the group. Investment property is treated as a long-term investment and is carried at fair value, based on fair market valuation exercises conducted annually by independent qualified valuers. Changes in fair values are recorded in the income statement.

All leases that meet the definition of investment property are classified as investment property and measured at fair value. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs.

Investment property that is obtained through a lease is measured initially at the lease liability amount adjusted for any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the group, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the group expects the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as at the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the consolidated financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property, and the fair value is reassessed.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

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2. Significant Accounting Policies (Continued)

(k) Leases

The group acting as lessee, recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months.

Assets and liabilities arising from the lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance the fixed payments), less any lease incentives receivable
- Variable lease payments that are based on the index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the group under residual value guarantees
- The exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing; and
- makes adjustments specific to the lease, example term, currency and security.

The group is exposed to potential future increase in variable lease payments based on index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments are based on an index or rate effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs (as applicable).

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

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2. Significant Accounting Policies (Continued)

(k) Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If and where the group is reasonably certain to exercise the purchase option, the right-of-use asset is depreciated over the underlying asset useful life. Right of use assets are not revalued.

Payments associated with short-term leases of equipment and all leases of low value are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprises small item of office furniture.

Variable lease payments

Some leases contain variable payment terms that are linked to rental income generated from property. These variable payments are recognised in the income statement in the period in which the condition that triggers those payments occurs.

Extension and termination options

Where extension and termination options are included, these are used to maximise the operational flexibility in terms of managing assets used in the group's operations. The options held are exercisable only by the group and not by the respective lessor.

Residual value guarantees

The group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of a lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the group does not expect to pay anything under the guarantees.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

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2. Significant Accounting Policies (Continued)

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. If such subsequent cost relates to a replaced part, the carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at annual rates, as follows:

Freehold premises/leasehold premises	2½%
Leasehold improvements	Life of lease
Furniture, fixtures & equipment	5% - 33⅓%
Assets capitalised under lease liabilities	Life of lease
Motor vehicles	15% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(m) Inventories

Inventories are valued on the first-in, first-out basis at the lower of cost and net realisable value.

(n) Employee benefits

(i) Pension obligations

The company and its subsidiaries operate a number of defined benefit pension plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

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2. Significant Accounting Policies (Continued)

(n) Employee benefits (continued)

(i) Pension obligations (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in expenses.

(ii) Other post-employment benefits

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

(iii) Annual leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

(iv) Equity compensation benefits

The group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense in the company which is the primary recipient of the employee's services. The total amount expensed over the vesting period is determined by reference to the fair value of the options or shares granted, excluding the impact of any non-market vesting conditions (for example, net profit growth target). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to become exercisable. At each statement of financial position date, the group reviews its estimates of the number of options or shares that are expected to become exercisable or share grants which will be vested. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised or share grants are vested.

The cost of equity transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

PanJam Investment Limited

Notes to the Financial Statements

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2. Significant Accounting Policies (Continued)

(n) Employee benefits (continued)

(iv) Equity compensation benefits (continued)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

(v) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed either to terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the statement of financial position date are discounted to present value.

(o) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

At each statement of financial position date analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

(ii) Computer software

Costs incurred to acquire computer software licences are recognised as intangible assets. These costs are being amortised using the straight-line method over their expected useful life of three years. All other costs associated with maintaining computer programs are recognized as an expense when incurred.

PanJam Investment Limited

Notes to the Financial Statements

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2. Significant Accounting Policies (Continued)

(q) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(r) Dividends

Dividends are recorded as a deduction from stockholders' equity in the period in which they are approved.

(s) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The executive committee that makes strategic decisions is deemed to be the chief operating decision-maker.

PanJam Investment Limited

Notes to the Financial Statements

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3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The group is subject to income taxes mainly in Jamaica. Significant judgement is required in determining the provision for income taxes. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to select a variety of methods and valuation inputs and makes assumptions that are mainly based on market conditions existing at each statement of financial position date. The group uses references to prices for other instruments that are substantially the same for various financial assets that were not traded in active markets. Details of investment securities valued using other than quoted prices in an active market are provided in Note 34 of the financial statements.

(iii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring the ECL is further detailed in note 33 which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for assessing whether a significant increase in credit risk has occurred;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar assets for the purposes of measuring ECL.

PanJam Investment Limited

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3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(iv) Pension plan assets and post-employment obligations

The cost of pension and other post-retirement benefits and the present value of these liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost or income for pension and post-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost or income recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The group determines the appropriate interest rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-employment benefit obligations. In determining the appropriate discount rate, the group considers the interest rates of Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the local economy. Other key assumptions for the pension and post-retirement benefits cost and credits are based in part on current market conditions. A change in any of the assumptions used could have a significant impact on the value of the related retirement benefit asset or liability.

(v) Investment properties

Investment properties are carried in the statement of financial position at market value. The group uses independent qualified property appraisers to value its investment properties annually, generally using the direct capitalisation approach. This approach takes into consideration various assumptions and factors including; the level of current and future occupancy, rent rates, a discount rate, and the current condition of the properties. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

(vi) Value for intangible assets ascribed to investment in associated companies

As required by IFRS, acquisitions of shareholdings in associated companies require the allocation of the purchase price to determine the fair value of the group's share of the net identifiable assets acquired. The determination of these fair values requires the use of various estimates, inclusive of earnings multiples, growth rates and discount factors. It also requires the use of judgement in determining the valuation technique which best suits the particular asset being valued. Should these estimate or valuation methods change, there could be a material change to the carrying value for investment in associated companies.

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4. Segmental Financial Information

The group is organised into two main business segments:

- (a) Investments – This incorporates investment management and securities trading;
- (b) Property management and rental – This incorporates the rental and management of commercial real estate.

The operating segments have been determined by management based on the reports reviewed by the executive committee and which are used to make strategic and operational decisions. The property management and investments segments derive their income principally from rental and property management fees, and interest and dividend income respectively. The group's customers are mainly resident in Jamaica.

	2020				
	Property Management & Rental	Investments	Other Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	2,567,728	(575,696)	62,434	-	2,054,466
Inter-group revenue	24,670	256,452	-	(281,122)	-
Total revenue	2,592,398	(319,244)	62,434	(281,122)	2,054,466
Operating profit	1,236,361	(964,115)	42,834	-	315,080
Finance costs	(172,703)	(777,388)	-	114,182	(835,909)
	1,063,658	(1,741,503)	42,834	114,182	(520,829)
Share of results of associated companies	-	3,866,414	-	-	3,866,414
Profit before taxation	1,063,658	2,124,911	42,834	114,182	3,345,585
Taxation	(119,631)	309,647	(1,291)	-	188,725
Net profit	944,027	2,434,558	41,543	114,182	3,534,310
Segment assets	12,837,464	16,080,782	402,669	(2,089,288)	27,231,627
Investment in associated companies	-	35,339,651	-	-	35,339,651
Total assets	12,837,464	51,420,433	402,669	(2,089,288)	62,571,278
Segment liabilities	3,577,380	13,335,291	274,850	(2,089,288)	15,098,233
Other segment items:					
Capital expenditure	1,422,350	1,087	-	-	1,423,437
Depreciation	30,720	7,097	-	-	37,817

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4. Segmental Financial Information (Continued)

	2019				
	Property Management & Rental	Investments	Other Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	2,300,711	2,259,294	66,019	-	4,626,024
Inter-group revenue	22,688	180,324	-	(203,012)	-
Total revenue	2,323,399	2,439,618	66,019	(203,012)	4,626,024
Operating profit	1,028,769	1,771,111	23,226	-	2,823,106
Finance costs	(193,308)	(601,775)	-	130,283	(664,800)
	835,461	1,169,336	23,226	130,283	2,158,306
Gains on disposal of shares in associated company	-	1,623,136	-	-	1,623,136
Share of results of associated companies	-	4,953,100	-	-	4,953,100
Profit before taxation	835,461	7,745,572	23,226	130,283	8,734,542
Taxation	(27,547)	(356,317)	(413)	-	(384,277)
Net profit	807,914	7,389,255	22,813	130,283	8,350,265
Segment assets	11,397,144	13,059,476	458,048	(1,592,359)	23,322,309
Investment in associated companies	-	31,078,668	-	-	31,078,668
Total assets	11,397,144	44,138,144	458,048	(1,592,359)	54,400,977
Segment liabilities	3,107,775	9,552,465	247,510	(1,592,359)	11,315,391
Other segment items:					
Capital expenditure	395,499	585	-	-	396,084
Depreciation	30,390	7,198	-	-	37,588

Revenue is recognised by each segment on the accrual basis.

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5. Investment Income

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Income				
Interest income -				
Financial assets at fair value through profit or loss	2,183	1,027	-	-
Fair value through other comprehensive income	41,959	36,806	37,760	29,954
Amortised cost	160,154	6,819	405,282	235,731
Securities purchased under agreement to resell and deposits	43,875	28,782	32,728	19,783
Realised gains on disposal of investments, net	10,139	302,376	11,322	294,125
Fair value (losses)/gains on financial assets				
at fair value through profit or loss	(1,113,319)	1,575,032	(1,295,828)	1,436,373
Foreign exchange gains	164,305	87,688	220,360	74,052
Dividends	177,982	125,818	1,313,175	2,037,266
Other	453	112,903	250	230
	<u>(512,269)</u>	<u>2,277,251</u>	<u>725,049</u>	<u>4,127,514</u>
Direct expenses				
Investment expense	(10,981)	(27,304)	(3,840)	(24,105)
	<u>(523,250)</u>	<u>2,249,947</u>	<u>721,209</u>	<u>4,103,409</u>

6. Property Income

	The Group	
	2020 \$'000	2019 \$'000
Rental income (Note 16)	1,814,298	1,730,866
Fair value gains on property valuation (Note 16)	323,815	498,452
	<u>2,138,113</u>	<u>2,229,318</u>

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7. Other Income

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Management fees	55,332	55,883	49,087	50,049
Gain on disposal of property held for development	326,180	-	-	-
Commissions	54,140	61,591	-	-
Recovery of impaired loans	-	5,960	-	5,960
Miscellaneous income	3,951	23,325	12	18,010
	<u>439,603</u>	<u>146,759</u>	<u>49,099</u>	<u>74,019</u>

8. Operating Expenses by Nature

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Direct cost of property management (Note 16)	828,413	772,194	-	-
Staff costs (Note 9)	481,063	567,618	174,997	243,089
Directors' fees	19,020	17,892	17,613	16,588
Professional fees	81,404	106,255	63,298	65,516
Auditors' remuneration	30,426	29,842	11,736	12,086
Information technology services	29,381	20,094	6,344	4,602
Office expense & subscriptions	14,654	20,182	23,167	21,793
Donations	70,486	72,227	52,286	50,477
Depreciation	37,817	37,588	9,078	9,179
Amortisation	5,211	-	3,435	-
Irrecoverable GCT	22,381	26,700	17,027	16,372
Commission	9,141	14,516	-	-
Impairment of non-financial asset (Note 17)	-	-	345,855	-
Other	71,551	81,804	36,821	40,350
	<u>1,700,948</u>	<u>1,766,912</u>	<u>761,657</u>	<u>480,052</u>

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9. Staff Costs

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	253,526	369,044	99,126	182,171
Statutory contributions	25,276	25,939	13,513	14,502
Pension – funded (Note 22(a))	55,769	60,090	(2,659)	(1,685)
Pension – unfunded (Note 22(b))	26	26	26	26
Other post-employment benefits (Note 22(c))	38,886	21,334	6,075	3,885
Stock compensation expense (Note 28)	68,590	47,756	46,235	28,326
Other	38,990	43,429	12,681	15,864
	<u>481,063</u>	<u>567,618</u>	<u>174,997</u>	<u>243,089</u>

10. Finance Costs

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Interest expense	830,931	664,800	773,520	602,402
Commitment fees	4,978	-	4,978	-
	<u>835,909</u>	<u>664,800</u>	<u>778,498</u>	<u>602,402</u>

11. Gains on Disposal of Shares in Associated Companies

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Sagicor Group Jamaica Limited				
Proceeds	-	2,574,386	-	2,574,386
Carrying value at disposal (Note 17)	-	(1,104,378)	-	(283,210)
Gain on disposal	<u>-</u>	<u>1,470,008</u>	<u>-</u>	<u>2,291,176</u>

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11. Gains on Disposal of Shares in Associated Company (Continued)

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance carried forward	-	1,470,008	-	2,291,176
Downing Street Realty Funds				
Consideration	-	186,565	-	-
Carrying value at disposal (Note 17)	-	(33,437)	-	-
Gain on disposal	-	153,128	-	-
Gain on disposal	-	1,623,136	-	2,291,176

12. Taxation

(a) Composition of tax(credit) charge

The taxation (credit) charge for the year is comprised of:

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Current income tax	121,416	170,975	2,615	45,770
Deferred income taxes (Note 18)	(310,141)	213,302	(290,632)	169,800
	(188,725)	384,277	(288,017)	215,570

Subject to agreement with Tax Administration Jamaica, the group has losses available for offset against future taxable profits amounting to approximately \$1,352,099,000 (2019 - \$968,828,000).

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12. Taxation (Continued)

(b) Reconciliation of applicable tax charges to effective tax charge:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current income tax				
Profit / (loss) before tax	3,345,585	8,734,542	(779,097)	5,350,388
Tax at 25%	836,396	2,183,636	(194,774)	1,337,597
Adjusted for the effects of:				
Income not subject to tax	(117,649)	(109,378)	(43,774)	(47,576)
Adjustment for income taxed at a different rate	(4,621)	20,836	(277,154)	(486,877)
Disposal of shares in associated companies	-	(405,784)	-	(572,794)
Share of associates' profit included net of tax	(966,603)	(1,238,275)	-	-
Expenses not deductible for tax purposes	100,832	127,662	178,369	111,858
Effect of tax losses	47,205	(121,074)	47,205	(121,074)
Allowable Incentives	(90,548)	(76,404)	-	-
Other charges and credits	6,263	3,058	2,111	(5,564)
Income tax expense	(188,725)	384,277	(288,017)	215,570

Income not subject to tax consists principally of property revaluation gains (for the group), and certain dividend and interest income (for the group and company). Expenses not deductible for tax consist principally of certain amounts of interest expense.

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12. Taxation (Continued)

(c) Tax charge/(credit) relating to components of other comprehensive income is as follows:

	The Group			The Company		
	Before Tax \$'000	Tax \$'000	After Tax \$'000	Before Tax \$'000	Tax \$'000	After Tax \$'000
At 31 December 2020						
Exchange differences on translating foreign operations	8,744	-	8,744	-	-	-
Fair value gains on financial assets, FVOCI	(74,768)	-	(74,768)	(69,701)	-	(69,701)
Re-measurement of post-employment benefit obligation	(53,059)	13,265	(39,794)	(66,455)	16,614	(49,841)
Share of other comprehensive income of associated company	1,382,474	-	1,382,474	-	-	-
Other comprehensive income	1,263,391	13,265	1,276,656	(136,156)	16,614	(119,542)

Deferred income tax (Note 18)

13,265

16,614

	The Group			The Company		
	Before Tax \$'000	Tax \$'000	After Tax \$'000	Before Tax \$'000	Tax \$'000	After Tax \$'000
At 31 December 2019						
Exchange differences on translating foreign operations	4,210	-	4,210	-	-	-
Fair value gains on financial assets, FVOCI	106,982	(6)	106,976	101,786	-	101,786
Re-measurement of post-employment benefit obligation	(44,355)	11,089	(33,266)	(97,127)	24,282	(72,845)
Share of other comprehensive income of associated company	2,141,614	-	2,141,614	-	-	-
Other comprehensive income	2,208,451	11,083	2,219,534	4,659	24,282	28,941

Deferred income tax (Note 18)

11,083

24,282

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13. Earnings Per Stock Unit/Net Profit Attributable to Owners of the Parent

The calculation of basic earnings per stock unit (EPS) is based on the net profit attributable to owners of the parent and the weighted average number of stock units in issue during the year, excluding ordinary stock units purchased by the group and held as treasury stock. For the financial year the group had a weighted average of 6,053,345 (2019 – 8,073,419) treasury stock units.

For fully diluted EPS, the weighted average number of stock units in issue is adjusted to assume conversion of all potentially dilutive ordinary stock units. The net profit is also adjusted to reflect the after-tax effect of income arising from the conversion of such potential ordinary stock units. For 2020 and 2019 the calculation of fully diluted earnings per stock unit is the same as basic earnings per stock unit, as there were no dilutive ordinary stock units.

	2020	2019
Net profit attributable to stockholders (\$'000)	3,504,520	8,308,325
Weighted average number of stock units in issue (thousands)	1,060,107	1,058,086
Basic and fully diluted earnings per stock unit (\$)	<u>\$3.31</u>	<u>\$7.85</u>

The net profit of the group is reflected in the records of the company, its subsidiaries, associated companies and joint venture as follows:

	2020	2019
	\$'000	\$'000
Net (Loss) / Profit		
The company	(491,080)	5,134,818
Associated companies	2,791,560	3,013,671
Subsidiaries	<u>1,233,830</u>	<u>201,776</u>
	<u>3,534,310</u>	<u>8,350,265</u>

Net profit attributable to associated companies and subsidiaries is shown net of dividends.

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14. Cash and Cash Equivalents

For the purposes of the consolidated and company statements of cash flows, cash and cash equivalents comprise the following balances with original terms to maturity not exceeding 90 days.

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash and bank balances	125,149	160,129	62,915	25,267
Deposits	695,277	702,826	498,018	594,426
Securities purchased under agreements to resell	871,509	854,545	705,591	588,766
Bank overdraft	(11,378)	(5,206)	(11,377)	(5,206)
	<u>1,680,557</u>	<u>1,712,294</u>	<u>1,255,147</u>	<u>1,203,253</u>
Deposits with maturity exceeding 90 days	(100,360)	(27,705)	(91,992)	-
Cash and cash equivalents	1,580,197	1,684,589	1,163,155	1,203,253
Expected credit loss provision	(3,799)	(5,726)	(3,193)	(4,434)
	<u>1,576,398</u>	<u>1,678,863</u>	<u>1,159,962</u>	<u>1,198,819</u>

Security for the bank overdraft includes certain specific investments. The effective rate on the overdraft facility - was - 14.65% (2019 - 14.65%).

Deposits and securities purchased under agreements to resell net of expected credit loss provision are - \$694,275,000 and \$497,185,000 (2019 - \$699,319,000 and \$591,461,000) for deposits and \$868,712,000 and \$703,231,000 (2019 - \$852,326,000 and \$587,296,000) for securities purchased under agreements to resell for the group and company respectively.

The group has entered into collateralised reverse repurchase agreements (securities purchased under agreements to resell), which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. All amounts were due within 12 months. The balance listed is carried gross of provision for expected credit losses amounting to for the group and company respectively \$2,797,000 and \$2,360,000 (2019 \$2,219,000 and \$1,470,000).

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15. Investment Securities

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Financial assets at fair value through other comprehensive income:				
Debt securities -				
Government of Jamaica	607,707	136,094	599,478	127,816
Other Government	99,355	97,236	58,778	54,142
Corporate	316,427	286,255	293,658	265,847
Equity securities	195,742	277,647	205,742	287,647
	<u>1,219,231</u>	<u>797,232</u>	<u>1,157,656</u>	<u>735,452</u>
Financial assets at fair value through profit or loss:				
Debt securities	-	26,961	-	-
Equity securities	7,584,640	8,934,220	5,590,419	7,178,578
	<u>7,584,640</u>	<u>8,961,181</u>	<u>5,590,419</u>	<u>7,178,578</u>
Financial assets at amortised cost:				
Debt securities -				
Government of Jamaica	259,872	65,120	259,872	65,120
Corporate bonds	2,261,177	144,175	2,261,177	144,175
Loans receivables	1,125,747	20,540	1,464,515	354,482
	<u>3,646,796</u>	<u>229,835</u>	<u>3,985,564</u>	<u>563,777</u>

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15. Investment Securities (Continued)

Included in the financial assets at fair value through other comprehensive income above is interest receivable amounting to \$12,549,000 and \$11,702,000 (2019 - \$6,803,000 and \$6,018,000) for the group and the company respectively.

The financial assets at fair value through profit or loss consist of equities held for trading, as well as non-trading equities. Non trading equities total \$1,455,192,000 and \$184,420,000 (2019 - \$1,314,245,000 and \$110,687,000) for the group and company respectively.

The financial assets at amortised cost above are carried net of an expected credit loss provision. The provision for bonds is \$13,888,000 (2019 - \$2,596,000) for the group and company and for loans receivable \$36,137,000 (2019 - \$43,703,000) for the group and company. Included in the total for bonds is interest receivable amounting to \$22,476,000 (2019 - \$1,451,000) for the group and company and in loans \$6,016,000 (\$-) for the group and \$30,232,000 (2019 - \$21,228,000) for the company. All loans receivable for the company are with related parties.

Included in loans receivable at 31 December 2020 for both the group and the company are unsecured principal amounts of \$998,687,000 due from Sagicor Group Jamaica Limited in respect of dividends declared for 2020, and \$6,016,000 for interest receivable. These amounts are evidenced by promissory notes bearing annual interest at 5% and under whose terms payment will be made once the Bank of Jamaica lifts the moratorium imposed on financial holding companies in relation to dividend payments.

The current portion of investment securities is \$297,703,000 (2019 - \$10,201,000) for the group and \$296,856,000 (2019 - \$9,416,000) for the company.

16. Investment Properties

	<u>The Group</u>	
	2020	2019
	\$'000	\$'000
At 1 January	9,026,597	8,392,011
Improvements	51,009	12,838
Transferred from capital work-in-progress (Note 20)	129,731	123,296
Fair value gains (Note 6)	323,815	498,452
At 31 December	<u>9,531,152</u>	<u>9,026,597</u>

Amounts recognised in income statement for investment properties includes:

	<u>The Group</u>	
	2020	2019
	\$'000	\$'000
Rental income (Note 6)	1,814,298	1,730,866
Direct costs (Note 8)	(828,413)	(772,194)
Fair value gains recognised in income (Note 6)	<u>323,815</u>	<u>498,452</u>

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16. Investment Properties (Continued)

Except for the unoccupied space of a property that is still under construction and carried at cost, all other properties were valued at current market value as at 31 December by D.C. Tavares & Finson Realty Limited, independent qualified property appraisers and valuers. The values for the properties have been established using the direct capitalization approach and discounted cash flow method. The direct capitalization approach uses as key inputs rental income from existing contracts, a vacancy factor which contemplates decrements in rental cash flows consequent on vacancies, and a capitalization rate, reflective of a rate of return. The discounted cash flow method considers the present value of net cash flows to be generated from a property considering an expected rental growth rate, a vacancy factor and a discount rate. Land owned by the group is valued using the comparable sales method.

The fair values of the investment property are at level 3 in the fair value hierarchy, as, consistent with requirements of IFRS 13, certain of the inputs into the valuation process are deemed to be unobservable; those being the vacancy factor, the capitalisation rate and the discount rate. Management considers the rental rates used in the calculation to be observable as they represent actual rentals which are unadjusted.

The assumptions to which the values are most sensitive are the occupancy levels, as reflected in the vacancy factor and the capitalisation factors. Vacancy factors used range from 2% to 16% (2019 – 2% to 16%) and the capitalization rates or discount rate used, range from and 8% to 12% (2019 – 2% to 13%). Should the vacancy factor used increase/decrease by 0.25% the value of investment properties would decrease/increase by \$42,000,000/\$1,000,000 (2019 - \$24,000,000/\$69,000,000). Should the capitalization factor or the discount rate increase/decrease by 1.0% the value of investment properties would decrease/increase by \$643,000,000/\$729,000,000 (2019 - \$680,000,000/\$741,000,000).

Certain of the group's investment property has been pledged as collateral for some of the group's loan facilities, as discussed in Note 24.

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk the group may obtain bank guarantees for the term of the lease.

Minimum lease payments receivable on leases of investment properties are as follows:

	The Group	
	2020	2019
	\$'000	\$'000
Within 1 year	912,980	727,133
Between 1 and 2 years	420,119	470,502
Between 2 to 3 years	258,721	352,612
Between 3 to 4 years	182,160	231,043
Between 4 to 5 years	146,861	199,997
Later than 5 years	155,344	253,432
	2,076,185	2,234,719

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17. Investment in Subsidiaries and Associated Companies

Investment in subsidiaries

	<u>The Company</u>	
	2020	2019
	\$'000	\$'000
Subsidiary companies -		
Balance at 1 January and 31 December	<u>1,128,119</u>	<u>1,128,119</u>

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held. The parent company also owns 100% of the preference shares of the subsidiaries included in the consolidation.

Net profit attributable to non-controlling interest for the year was \$29,790,000 (2019 - \$41,940,000), of which \$1,373,000 (2019 - \$58,000) was attributable to Scott's Preserves Limited and \$28,417,000 (2019 - \$41,882,000) to Knutsford Holdings Limited.

Summarised financial information for each material subsidiary that has a non-controlling interest:

Summarised statement of financial position

	<u>Knutsford Holdings Limited</u>		<u>Scott's Preserves Limited</u>	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Current				
Assets	101,065	177,938	17,115	89,180
Liabilities	<u>(22,879)</u>	<u>(18,697)</u>	<u>(818)</u>	<u>(1,970)</u>
Total current net assets	<u>78,186</u>	<u>159,241</u>	<u>16,297</u>	<u>87,210</u>
Non-current				
Assets	807,000	771,000	-	-
Financial liabilities	<u>(96,521)</u>	<u>(93,027)</u>	<u>(2)</u>	<u>(23)</u>
Total non-current assets/(liabilities)	<u>710,479</u>	<u>677,973</u>	<u>(2)</u>	<u>(23)</u>
Net assets	<u>788,665</u>	<u>837,214</u>	<u>16,295</u>	<u>87,187</u>

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in subsidiaries (continued)

Summarised statement of comprehensive income

	Knutsford Holdings Limited		Scott's Preserves Limited	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue	190,986	214,213	-	-
Investment income	5,925	3,468	5,915	2,847
Profit from continuing operations	90,891	119,075	5,399	585
Taxation expense	(19,441)	(14,369)	(1,291)	(413)
Post tax profit from continuing operations	71,450	104,706	4,108	172
Total comprehensive income allocated to non-controlling interest	28,417	41,882	1,373	58

Summarised cash flows

	Knutsford Holdings Limited		Scott's Preserves Limited	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash flows from operating activities				
Cash generated from operations	59,689	69,125	(1,488)	(911)
Interest paid	(16,084)	(16,084)	-	-
Income tax paid	(15,312)	(12,295)	-	-
Net cash provided by/(used in) operating activities	28,293	40,746	(1,488)	(911)
Net cash (used in)/provided by investing activities	(11,380)	435	2,011	1,915
Net cash (used in)/provided by financing activities	(120,000)	-	(76,067)	26
Net (decrease)/increase in cash and cash equivalents	(103,087)	41,181	(75,544)	1,030
Effect of exchange rate on cash and cash equivalent	3,081	927	3,989	996
Cash and cash equivalents at beginning of year	153,182	111,074	83,762	81,736
Cash and cash equivalents at end of year	53,176	153,182	12,207	83,762

The information above is the amount before inter-company eliminations.

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Opening balance	31,078,668	26,348,546	7,885,397	7,698,051
Additions	62,075	1,273,396	62,075	769,357
Disposal	-	(1,137,815)	-	(283,210)
Share of net profits	3,866,414	4,953,100	-	-
Dividends received/declared	(1,074,854)	(1,939,429)	-	-
Share of reserves	1,407,348	1,952,071	-	-
Return of investment	-	(371,201)	-	(298,801)
Impairment	-	-	(345,855)	-
Closing balance	<u>35,339,651</u>	<u>31,078,668</u>	<u>7,601,617</u>	<u>7,885,397</u>

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Associated companies -				
Life and Health Insurance, Pension Management, Investment and Banking				
Balance at 1 January	28,723,353	24,775,659	6,378,507	6,661,717
Disposal	-	(1,104,378)	-	(283,210)
Share of net profit	4,128,204	4,714,257	-	-
Dividends declared	(998,687)	(1,741,094)	-	-
Share of reserves	1,407,348	2,078,909	-	-
	<u>33,260,218</u>	<u>28,723,353</u>	<u>6,378,507</u>	<u>6,378,507</u>
Consumer Products				
Balance at 1 January	510,102	392,772	310,306	310,306
Share of net profit	193,188	144,594	-	-
Dividends received	(73,678)	(27,264)	-	-
	<u>629,612</u>	<u>510,102</u>	<u>310,306</u>	<u>310,306</u>

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Associated companies -				
Tourism/Hospitality				
Balance at 1 January	614,502	860,988	539,520	720,856
Additional investment	-	117,465	-	117,465
Return of investment	-	(298,801)	-	(298,801)
Share of net (loss)/profit	(458,603)	105,921	-	-
Impairment	-	-	(345,855)	-
Dividends received	(2,489)	(171,071)	-	-
	<u>153,410</u>	<u>614,502</u>	<u>193,665</u>	<u>539,520</u>
Realty Funds				
Balance at 1 January	699,300	314,677	-	-
Additional investment	-	504,039	-	-
Share of net profit/(loss)	2,923	(13,579)	-	-
Disposal	-	(33,437)	-	-
Return of investment	-	(72,400)	-	-
	<u>702,223</u>	<u>699,300</u>	<u>-</u>	<u>-</u>
Business Process Outsourcing				
Balance at 1 January	491,642	-	606,361	-
Additional investment	-	606,361	-	606,361
Share of net profit	32,660	12,119	-	-
Share of reserves	-	(126,838)	-	-
	<u>524,302</u>	<u>491,642</u>	<u>606,361</u>	<u>606,361</u>
Other				
Balance at 1 January	39,769	4,450	50,703	5,172
Additional investment	62,075	45,531	62,075	45,531
Share of net loss	(31,958)	(10,212)	-	-
	<u>69,886</u>	<u>39,769</u>	<u>112,778</u>	<u>50,703</u>
Comprising:				
Share of net assets	33,288,858	28,692,431	-	-
Intangible assets (including goodwill)	2,050,793	2,386,237	-	-
	<u>35,339,651</u>	<u>31,078,668</u>	<u>7,601,617</u>	<u>7,885,397</u>

PanJam Investment Limited

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

The group's share of dividends from Sagicor Group Jamaica has been converted into short term interest bearing promissory notes as discussed in Notes 15 and 36. A portion of the group's shareholding in Sagicor Group Jamaica Limited has been pledged as collateral for loan liabilities, as discussed in Note 24 of the financial statements.

The group's associated company, Sagicor Group Jamaica Limited is listed on the JSE. The JSE indicative values based on closing bid for this company at 31 December is shown in the tables below.

	The Group			
	Carrying	JSE	Carrying	JSE
	Value	Indicative	Value	Indicative
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Sagicor Group Jamaica Limited	33,260,218	58,958,049	28,723,353	92,007,606

	The Company			
	Carrying	JSE	Carrying	JSE
	Value	Indicative	Value	Indicative
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Sagicor Group Jamaica Limited	6,378,507	58,958,049	6,378,507	92,007,606

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

The summarised information for associates that were accounted for using the equity method for the years ended 31 December 2020 and 2019 is as presented in the tables below. The summarized financial information reflects balances which are due to the equity holders of the companies.

Summarised statement of financial position

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020						
Total assets	490,694,573	2,253,238	7,393,405	4,249,917	7,314,410	600,130
Total liabilities	(363,847,574)	(364,216)	(6,934,007)	(3,383,566)	(4,877,579)	(1,156,222)
Non-controlling interest	(20,462,993)	-	(20,544)	-	(560,167)	74,053
Net assets	106,384,006	1,889,022	438,854	866,351	1,876,664	(482,039)

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Total assets	459,999,024	1,935,165	7,927,271	1,688,487	6,375,781	599,669
Total liabilities	(339,074,756)	(445,313)	(5,753,773)	(1,071,396)	(3,967,419)	(1,016,990)
Non-controlling interest	(29,672,714)	-	(1,328)	-	(562,212)	51,868
Net assets	91,251,554	1,489,852	2,172,170	617,091	1,846,150	(365,453)

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

Summarised statement of comprehensive income (continued)

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020						
Revenue	84,572,822	2,615,849	1,858,302	6,779,240	209,355	371,756
Depreciation and amortisation	2,870,006	53,464	555,543	708,097	-	19,400
Net investment/Interest income	18,254,608		148,479	-	-	5,054
Profit/(loss) from continuing operations	10,178,307	579,622	(1,647,953)	217,732	1,612	(130,368)
Taxation expense	(5,693,527)	-	(3,221)	-	-	-
Post tax profit/(loss) from continuing operations	4,484,780	579,622	(1,651,174)	217,732	1,612	(130,368)
Other comprehensive income	13,869,931	-	-	-	-	-
Non-controlling interest	(8,942,839)	-	(6,645)	-	2,193	-
Total comprehensive income	9,411,872	579,622	(1,657,819)	217,732	3,805	(130,368)
Dividends received from associate	998,687	73,678	2,489	-	-	-
	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Revenue	92,669,323	2,518,301	6,288,189	1,299,344	173,630	62,685
Depreciation and amortisation	2,777,772	48,503	497,237	55,458	-	19,400
Net investment/Interest income	26,981,991	18,426	(113,927)	(17,956)	-	5,054
Profit/(loss) from continuing operations	20,717,597	433,825	453,571	80,791	(97,483)	(41,788)
Taxation expense	(5,253,971)	-	(27,250)	-	-	-
Post tax profit/(loss) from continuing operations	15,463,626	433,825	426,321	80,791	(97,483)	(41,788)
Other comprehensive income	7,273,421	-	-	-	-	-
Non-controlling interest	49,766	-	(6,645)	-	45,866	-
Total comprehensive income	22,786,813	433,825	419,676	80,791	(51,617)	(41,788)
Dividends received from associate	1,741,094	27,264	171,071	-	-	-

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

Reconciliation of summarised financial information

A reconciliation of summarised financial information presented to the carrying amount of its interest in associates is shown in the table below. The amounts shown in the table are the amounts attributable to the equity holders of the associated companies.

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020						
Opening net assets at 1 January	91,251,554	1,489,852	2,172,170	617,091	1,846,150	(365,453)
Capital contribution	-	-	-	-	146,840	12,609
Return of capital contribution	-	-	-	-	(238,261)	-
Profit or loss for the period	13,780,163	579,622	(1,657,819)	217,732	3,805	(128,120)
Other comprehensive income	4,574,548	-	-	-	-	-
Change in reserves	82,299	-	-	-	-	-
Adjustment	-	40,604	-	-	-	(1,075)
Dividends paid	(3,304,558)	(221,056)	(13,830)	-	-	-
Translation gains/(losses)	-	-	(61,667)	31,528	118,130	-
Closing net assets at 31 December	106,384,006	1,889,022	438,854	866,351	1,876,664	(482,039)
Interest in associate (J\$)	32,149,385	629,610	172,351	129,953	540,540	(125,769)
Additional investment	-	-	-	-	-	62,075
Adjustment for pre- acquisition goodwill	(200,041)	-	(53,538)	-	-	-
Other adjustments	(107,207)	(13,532)	(38,796)	(3,722)	83,177	(9,021)
Goodwill and intangible assets	1,418,081	13,534	73,393	398,071	78,506	142,601
Carrying value	33,260,218	629,612	153,410	524,302	702,223	69,886

See Note 1 for shareholding in associated companies.

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17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in associated companies (continued)

	Life and Health Insurance, Pension Management, Investment and Banking	Consumer Products	Tourism & Hospitality	Business Process Outsourcing	Realty Funds	Other
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Opening net assets at 1 January	74,340,008	1,137,827	2,202,289	-	654,606	16,760
Net assets/(liabilities) acquired	-	-	-	-	-	(397,281)
Capital contribution	-	-	994,714	1,388,598	1,490,258	19,094
Return of capital contribution	-	-	(853,717)	-	(296,689)	-
Profit or loss for the period	15,650,304	433,825	419,677	80,791	(51,617)	(41,788)
Other comprehensive income	7,086,743	-	-	-	-	-
Change in reserves	(201,386)	-	-	(845,586)	-	27,379
Adjustment	-	-	71,244	-	-	-
Dividends paid	(5,624,115)	(81,800)	(526,403)	-	-	-
Translation (losses)/gains	-	-	(135,634)	(6,712)	49,592	10,382
Closing net assets at 31 December	91,251,554	1,489,852	2,172,170	617,091	1,846,150	(365,454)
Interest in associate (J\$)	27,576,220	496,568	537,082	92,564	606,694	(92,883)
Adjustment for pre-acquisition goodwill	(200,041)	-	(53,538)	-	-	-
Disposal of shareholding	-	-	(121,111)	-	-	-
Other adjustments	(107,207)	-	(47,075)	1,007	14,100	(9,950)
Goodwill and intangible assets	1,454,381	13,534	299,144	398,071	78,506	142,601
Carrying value	28,723,353	510,102	614,502	491,642	699,300	39,768

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18. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25%.

Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	416,846	340,973	213,571	160,998
Deferred tax liabilities	<u>(731,245)</u>	<u>(978,778)</u>	<u>(407,093)</u>	<u>(661,766)</u>
Net deferred tax liabilities	<u>(314,399)</u>	<u>(637,805)</u>	<u>(193,522)</u>	<u>(500,768)</u>

The gross movement on the deferred income tax balance is as follows:

	<u>The Group</u>		<u>The Company</u>	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at a 1 January	(637,805)	(435,586)	(500,768)	(355,250)
Tax credit / (charged) to income statement (Note 12)	310,141	(213,302)	290,632	(169,800)
Tax credited to components of other comprehensive income (Note 12)	13,265	11,083	16,614	24,282
Balance at 31 December	<u>(314,399)</u>	<u>(637,805)</u>	<u>(193,522)</u>	<u>(500,768)</u>

PanJam Investment Limited

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18. Deferred Income Taxes (Continued)

The movement in deferred income tax assets and liabilities during the year is as follows:

	The Group					Total \$'000
	Pension and other post employment benefits \$'000	Interest payable \$'000	Stock compensation provision \$'000	Unutilised tax losses \$'000	Other \$'000	
Deferred income tax assets						
At 1 January 2019	146,157	12,161	25,149	709	9,373	193,549
Credited/(charged) to the income statement	22,059	2,060	2,649	121,116	(460)	147,424
At 31 December 2019	168,216	14,221	27,798	121,825	8,913	340,973
Credited/(charged) to the income statement	23,834	(2,262)	8,721	47,897	(2,317)	75,873
At 31 December 2020	192,050	11,959	36,519	169,722	6,596	416,846

	The Group						Total \$'000
	Property, plant and equipment \$'000	Pension benefits \$'000	Investment property \$'000	Interest receivable \$'000	Unrealised foreign exchange gains \$'000	Investment securities \$'000	
Deferred income tax liabilities							
At 1 January 2019	20,645	70,995	170,495	20,778	35,995	310,227	629,135
(Credited) / charged to the income statement	(963)	3,286	22,427	2,758	(13,382)	346,600	360,726
(Credited) / charged to other comprehensive income	-	(11,089)	-	-	-	6	(11,083)
At 31 December 2019	19,682	63,192	192,922	23,536	22,613	656,833	978,778
(Credited) / charged to the income statement	(1,818)	2,043	22,076	27,494	41,908	(325,971)	(234,268)
Credited to other comprehensive income	-	(13,265)	-	-	-	-	(13,265)
At 31 December 2020	17,864	51,970	214,998	51,030	64,521	330,862	731,245

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18. Deferred Income Taxes (Continued)

The movement in deferred income tax assets and liabilities during the year is as follows:

	The Company					
	Pension and other post retirement benefits \$'000	Interest payable \$'000	Stock compensation provision \$'000	Unutilised tax losses \$'000	Other \$'000	Total \$'000
Deferred income tax assets						
At 1 January 2019	9,870	9,817	14,276	-	733	34,696
Credited / (charged) to income statement	3,207	2,060	-	121,116	(81)	126,302
At 31 December 2019	13,077	11,877	14,276	121,116	652	160,998
Credited / (charged) to income statement	2,197	(2,912)	5,683	47,897	(292)	52,573
At 31 December 2020	15,274	8,965	19,959	169,013	360	213,571

	The Company					
	Property, plant and equipment \$'000	Retirement benefits \$'000	Interest receivable \$'000	Unrealised foreign exchange gains \$'000	Unrealised trading gains \$'000	Total \$'000
Deferred income tax liabilities						
At 1 January 2019	3,733	69,598	25,276	29,381	261,958	389,946
(Credit) / charged to income statement	(963)	3,286	2,792	(10,404)	301,391	296,102
Credit to other comprehensive income	-	(24,282)	-	-	-	(24,282)
At 31 December 2019	2,770	48,602	28,068	18,977	563,349	661,766
(Credited) / charged to income statement	(1,818)	2,043	22,613	41,284	(302,181)	(238,059)
Credited to other comprehensive income	-	(16,614)	-	-	-	(16,614)
At 31 December 2020	952	34,031	50,681	60,261	261,168	407,093

Deferred income tax liabilities have not been established for the potential distribution of the unappropriated profits of subsidiaries as such distributions are not subject to tax.

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18. Deferred Income Taxes (Continued)

The amounts shown in the statement of financial position include the following:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deferred tax assets to be recovered after more than 12 months	228,569	196,014	44,558	27,353
Deferred tax assets to be recovered within 12 months	188,277	144,959	169,013	133,645
	<u>416,846</u>	<u>340,973</u>	<u>213,571</u>	<u>160,998</u>
Deferred tax liabilities to be settled after more than 12 months	(284,832)	(256,114)	(34,983)	(48,602)
Deferred tax liabilities to be settled within 12 months	(446,413)	(722,664)	(372,110)	(613,164)
	<u>(731,245)</u>	<u>(978,778)</u>	<u>(407,093)</u>	<u>(661,766)</u>
Net liabilities	<u>(314,399)</u>	<u>(637,805)</u>	<u>(193,522)</u>	<u>(500,768)</u>

19. Prepayments and Miscellaneous Assets

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables	38,808	29,286	-	-
Inventories	2,538	2,554	-	-
Managed properties receivables	113,146	90,883	-	-
Prepaid expenses	45,739	35,741	3,217	1,953
Reinsurance receivables	77,626	85,295	-	-
Premium receivable	55,464	35,509	-	-
Other receivables	345,483	343,295	145,275	189,217
Deposits	8,436	4,083	8,436	4,083
Land awaiting development	869,977	1,167,831	-	-
	<u>1,557,217</u>	<u>1,794,477</u>	<u>156,928</u>	<u>195,253</u>

The current portion of miscellaneous assets amounted to \$687,240,000 (2019 - \$626,646,000) for the group and \$156,928,000 (2019 - \$195,253,000) for the company.

Included in other receivables are amounts due from related parties totaling \$142,004,000 for the group and the company for 2020 and 2019.

Land awaiting development comprises properties owned by the group which the group intends to develop for resale.

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20. Property, Plant and Equipment

	Note	The Group					Total \$'000
		Freehold Premises \$'000	Leasehold Improvements \$'000	Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Capital Work in Progress \$'000	
At Cost -							
1 January 2019		65,964	14,325	358,589	131,118	110,246	680,242
Additions		-	-	5,272	-	390,812	396,084
Disposals		-	-	-	(15,120)	-	(15,120)
Transfers	16	-	-	6,461	-	(129,757)	(123,296)
31 December 2019		65,964	14,325	370,322	115,998	371,301	937,910
Additions		-	-	3,487	5,800	1,363,141	1,372,428
Disposals		-	-	(206)	-	-	(206)
Transfers	16	-	-	-	-	(129,731)	(129,731)
31 December 2020		65,964	14,325	373,603	121,798	1,604,711	2,180,401
Accumulated Depreciation -							
1 January 2019		14,252	9,979	133,061	81,097	-	238,389
Charged for year		723	67	20,393	16,405	-	37,588
Relieved on disposals		-	-	-	(13,423)	-	(13,423)
31 December 2019		14,975	10,046	153,454	84,079	-	262,554
Charged for year		723	67	21,137	15,890	-	37,817
Relieved on disposals		-	-	(206)	-	-	(206)
31 December 2020		15,698	10,113	174,385	99,969	-	300,165
Net Book Value -							
31 December 2020		50,266	4,212	199,218	21,829	1,604,711	1,880,236
31 December 2019		50,989	4,279	216,868	31,919	371,301	675,356

Included in motor vehicles is a right of use asset of \$4,471,000 (2019 - \$9,067,000) and related lease liability of \$7,655,000 (2019 - \$10,884,000).

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20. Property, Plant and Equipment (Continued)

	The Company				
	Leasehold Property	Leasehold Improvements	Furniture & Fixtures	Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost -					
1 January 2019	79,235	199	13,228	59,105	151,767
Additions	-	-	585	-	585
31 December 2019	79,235	199	13,813	59,105	152,352
Additions	-	-	1,087	-	1,087
Disposal	-	-	(206)	-	(206)
31 December 2020	79,235	199	14,694	59,105	153,233
Accumulated Depreciation -					
1 January 2019	-	199	8,330	38,276	46,805
Charged for the year	1,981	-	1,036	6,162	9,179
31 December 2019	1,981	199	9,366	44,438	55,984
Charged for the year	1,981	-	935	6,162	9,078
Relieved on disposal	-	-	(206)	-	(206)
31 December 2020	3,962	199	10,095	50,600	64,856
Net Book Value -					
31 December 2020	75,273	-	4,599	8,505	88,377
31 December 2019	77,254	-	4,447	14,667	96,368

As at 31 December 2020, the company recognised a right of use asset with a net book value of \$75,273,000 (2019 - \$77,254,000) and relating lease liability of \$64,315,000 (2019 - \$71,639,000).

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21. Intangibles

During 2019, a subsidiary upgraded its property management solution software licences which it acquired during 2015 and the company purchased human resource management solution software licences. The carrying balance at 31 December 2020 was \$17,388,000 (2019- \$15,635,000) for the group and \$6,868,000 (2019 – \$10,303,000) for the company. These costs are being amortised using the straight-line method over their expected useful life.

Goodwill was recognised on acquisition of Downing Street (Caribbean Place) Limited in a previous financial year.

	The Group			The Company	
	Goodwill \$'000	Computer Software \$'000	Total \$'000	Computer Software \$'000	Total \$'000
At Cost -					
1 January 2019	33,082	64,709	97,791	-	-
Additions	-	15,635	15,635	10,303	10,303
31 December 2019	33,082	80,344	113,426	10,303	10,303
Additions	-	6,964	6,964	-	-
31 December 2020	33,082	87,308	120,390	10,303	10,303
Accumulated Amortisation -					
1 January 2019	-	64,709	64,709	-	-
Amortisation	-	-	-	-	-
31 December 2019	-	64,709	64,709	-	-
Amortisation	-	5,211	5,211	3,435	3,435
31 December 2020	-	69,920	69,920	3,435	3,435
Net Book Value -					
31 December 2020	33,082	17,388	50,470	6,868	6,868
31 December 2019	33,082	15,635	48,717	10,303	10,303

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22. Retirement Benefits

The company and its subsidiaries have established a number of pension schemes covering all permanent employees. The assets of funded plans are held independently of the group's assets in separate funds administered by the trustees of the plans. Defined benefit plans are valued by independent actuaries annually, using the projected unit credit method.

The latest actuarial valuations were carried out as at 31 December 2020.

The Trustees are responsible for reviewing the investment portfolio mix of the plans to ensure that the assets are invested efficiently whilst maintaining the prescribed limits as set by the Regulator, within each portfolio class. The Trustees also ensures that the funding contributions are within acceptable levels.

The amounts recognised in the statement of financial position comprise:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Assets				
(Note 22(a))	-	-	201,359	259,643
Liabilities				
Funded pension obligations (Note 22(a))	166,939	70,645	-	-
Unfunded pension obligations (Note 22(b))	339	378	339	378
Other (Note 22(c))	343,199	299,231	60,753	51,927
	<u>510,477</u>	<u>370,254</u>	<u>61,092</u>	<u>52,305</u>

The expense recognised in the income statement comprises:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Pension obligations - funded (Note 22(a))	55,769	60,090	(2,659)	(1,685)
Pension obligations – unfunded (Note 22(b))	26	26	26	26
Other post-employment obligations:				
Medical and life insurance (Note 22(c))	38,886	21,334	6,075	3,885
	<u>94,681</u>	<u>81,450</u>	<u>3,442</u>	<u>2,226</u>

PanJam Investment Limited

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(expressed in Jamaican dollars unless otherwise indicated)

22. Retirement Benefits (Continued)

(a) Funded pension obligations

The movement in the amount recognised in the statement of financial position is as follows:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of year	70,645	65,408	(259,643)	(343,627)
Benefit expense	55,769	60,090	(2,659)	(1,685)
Re-measurement recognised in OCI	41,291	(54,160)	61,161	85,914
Employer's contribution	(766)	(693)	(218)	(245)
Balance at end of year	<u>166,939</u>	<u>70,645</u>	<u>(201,359)</u>	<u>(259,643)</u>

The amounts recognised in the statement of financial position are determined as follows:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Present value of funded obligations	1,500,139	1,521,099	378,363	343,005
Fair value of plan assets	<u>(1,571,398)</u>	<u>(1,761,766)</u>	<u>(817,920)</u>	<u>(913,960)</u>
	(71,259)	(240,667)	(439,557)	(570,955)
Unrecognised asset due to asset ceiling	<u>238,198</u>	<u>311,312</u>	<u>238,198</u>	<u>311,312</u>
Liability/(asset) in the statement of financial position	<u>166,939</u>	<u>70,645</u>	<u>(201,359)</u>	<u>(259,643)</u>

Sagicor Group Jamaica Limited, an associated company which manages the group's pension fund assets, has invested through its pooled investment funds in 121,173,933 (2019 – 121,173,933) ordinary stock units of the company with a fair value of \$8,238,616,000 (2019 – \$12,177,980,000).

The company has submitted a windup proposal for one of its pension plans to the Financial Services Commission and is awaiting a ruling from the Supreme Court regarding the actuarially recommended distribution of the surplus.

PanJam Investment Limited

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31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Retirement Benefits (Continued)

(a) Funded pension obligations (continued)

The movement in the defined benefit obligation over the year is as follows:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of year	1,521,099	1,540,652	343,005	402,314
Current service cost	50,512	55,470	12,347	18,264
Interest cost	105,280	100,384	17,691	21,061
	<u>1,676,891</u>	<u>1,696,506</u>	<u>373,043</u>	<u>441,639</u>
Re-measurements -				
(Gains)/loss from change in financial assumptions	(270,940)	(115,327)	(40,807)	(25,358)
Experience losses/(gains)	93,359	(74,041)	51,871	(80,977)
	<u>(177,581)</u>	<u>(189,368)</u>	<u>11,064</u>	<u>(106,335)</u>
Members' contributions	38,751	36,465	11,310	13,189
Benefits paid	(46,026)	(64,157)	(17,054)	(5,488)
Purchased annuities	8,104	41,653	-	-
Balance at end of year	<u>1,500,139</u>	<u>1,521,099</u>	<u>378,363</u>	<u>343,005</u>

The movement in the fair value of plan assets over the year is as follows:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of year	1,761,766	1,536,482	913,960	807,179
Interest income	123,371	100,051	56,045	45,297
Re-measurements -				
Gain/(loss) from change in financial assumptions	919	1,083	(1,471)	(582)
Experience (losses)/gains	(316,253)	109,496	(145,088)	54,120
Members' contributions	38,751	36,465	11,310	13,189
Employer's contributions	766	693	218	245
Benefits paid	(46,026)	(64,157)	(17,054)	(5,488)
Purchased annuities	8,104	41,653	-	-
Balance at end of year	<u>1,571,398</u>	<u>1,761,766</u>	<u>817,920</u>	<u>913,960</u>

The actual return on plan assets for 2020 was (\$222,571,000) and (\$83,307,000) (2019 – \$227,142,000 and \$106,083,000) for the group and the company, respectively.

PanJam Investment Limited

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(expressed in Jamaican dollars unless otherwise indicated)

22. Retirement Benefits (Continued)

(a) Funded pension obligations (continued)

The expected employer and members contributions for the year 2021 are \$39,814,000 for the group and \$10,656,000 for the company.

The movement on the asset ceiling during the year is as follows:

	The Group and The Company	
	2020	2019
	\$'000	\$'000
Balance at beginning of year	311,312	61,238
Change in asset ceiling, excluding amounts included in interest expense	23,348	4,287
Re-measurement	(96,462)	245,787
	<u>238,198</u>	<u>311,312</u>

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Current service cost	50,512	55,470	12,347	18,264
Interest cost/(credit)	5,257	4,620	(15,006)	(19,949)
Total	<u>55,769</u>	<u>60,090</u>	<u>(2,659)</u>	<u>(1,685)</u>

The principal actuarial assumptions used were as follows:

	The Group and Company	
	2020	2019
	%	%
Discount rate	9.0	7.5
Future salary increases	8.0	7.0
Future pension increases	3.0	2.0
Inflation	<u>6.0</u>	<u>4.0</u>

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Retirement Benefits (Continued)

(a) Funded pension obligations (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions for the group is:

2020	Increase/(decrease) in post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(164,691)	211,452
Future salary increases	1%	76,342	(65,635)
Future pension increases	1%	131,780	(112,950)
		Increase Assumption by One Year	Decrease Assumption by One Year
2020		17,104	(17,549)
2019	Increase/(decrease) in post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(221,438)	307,074
Future salary increases	1%	86,771	(73,532)
Future pension increases	1%	142,292	(121,344)
		Increase Assumption by One Year	Decrease Assumption by One Year
2019		29,854	(30,168)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Retirement Benefits (Continued)

(b) Unfunded pension obligations

The amounts recognised in the statement of financial position are determined as follows:

	<u>The Group and Company</u>	
	2020	2019
	\$'000	\$'000
Present value of unfunded obligations	339	378

The movement in the liability recognised in the statement of financial position is as follows:

	<u>The Group and Company</u>	
	2020	2019
	\$'000	\$'000
Balance at beginning of year	378	404
Current service cost	26	26
	404	430
Re-measurements -		
Experience losses	(6)	7
	(6)	7
Benefits paid	(59)	(59)
Balance at end of year	339	378

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Retirement Benefits (Continued)

(c) Other post-employment obligations

In addition to pension benefits, the company and certain subsidiaries offer retirees medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

The main actuarial assumption is a long-term increase in health costs of 9% per year (2019 –7.5%).

Other assumptions were as for the pension plans set out above.

The amounts recognised in the statement of financial position are determined as follows:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Present value of unfunded obligations	343,199	299,231	60,753	51,927

The movement in the defined benefit obligation over the year is as follows:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of year	299,231	184,994	51,927	39,075
Benefit expense	16,690	8,577	2,274	1,227
Interest cost on defined benefit obligation	22,196	12,757	3,801	2,658
Re-measurements -				
Gain from change in financial assumptions	(79,279)	(15,690)	(10,240)	(2,187)
Experience losses	91,052	114,205	15,540	13,400
Benefits paid	(6,691)	(5,612)	(2,549)	(2,246)
Balance at end of year	343,199	299,231	60,753	51,927

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Retirement Benefits (Continued)

(c) Other post-employment obligations (continued)

The expense recognised in the income statement is as follows:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current service cost	16,690	8,577	2,274	1,227
Interest cost	22,196	12,757	3,801	2,658
Total, included in staff costs (Note 9)	<u>38,886</u>	<u>21,334</u>	<u>6,075</u>	<u>3,885</u>

The sensitivity of the long-term medical cost to changes in the weighted principal assumption for the group is:

2020	Increase/(decrease) in post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(58,838)	78,400
Medical inflation	1%	77,478	(59,229)

2020	Increase Assumption by One Year	Decrease Assumption by One Year
	Life expectancy	<u>13,213</u>

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2019	Increase/(decrease) in post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(52,668)	70,624
Medical inflation	1%	69,816	(53,050)

2019	Increase Assumption by One Year	Decrease Assumption by One Year
	Life expectancy	<u>11,465</u>

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

22. Retirement Benefits (Continued)

(c) Other post-employment obligations (continued)

Plan assets for the post-employment benefits are comprised as follows:

	The Group			
	2020		2019	
	\$'000	%	\$'000	%
Equity	404,754	27	486,343	27
Debt	88,509	3	48,697	3
Unitised investments	1,078,135	70	1,226,726	70
	<u>1,571,398</u>	<u>100</u>	<u>1,761,766</u>	<u>100</u>
	The Company			
	2020		2019	
	\$'000	%	\$'000	%
Equity	183,640	22	238,986	26
Unitised investments	634,280	78	674,974	74
	<u>817,920</u>	<u>100</u>	<u>913,960</u>	<u>100</u>

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

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22. Retirement Benefits (Continued)

Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will reduce the surplus or create a deficit with respect to the net assets available for benefits.

As the plan matures, the group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds largely represent investments in Government of Jamaica securities.

However, the group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the group's long-term strategy to manage the plans efficiently. See below for more details on the group's asset-liability matching strategy.

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). A high percentage of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will reduce the surplus or create a deficit.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Funding levels are monitored on an annual basis and the current employer contribution rates are between 0.25% and 10% of pensionable salaries. The last valuation was completed effective 31 December 2019. The group considers the contribution rates to be sufficient to prevent a deficit and that the plans are adequately funded.

PanJam Investment Limited

Notes to the Financial Statements

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23. Related Party Balances and Transactions

(a) The statements of financial position include the following balances with related parties and companies:

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Amounts due from related parties:				
Subsidiaries:				
PanJam Hospitality Limited	-	-	87,765	70,117
Portfolio Partners Limited	-	-	6,544	11,255
Castleton Investments Limited	-	-	532,761	463,362
Jamaica Property Company Limited	-	-	1,578,587	1,161,580
Jamaica Property Development Limited	-	-	-	5
Scott's Preserves Limited	-	-	-	1,067
PJ-AL Corp Limited	-	-	695,438	512,202
Simcoe Investments Limited	-	-	492,812	437,017
Baywest Development Limited	-	-	49,541	24,485
Kingchurch Property Holdings Limited	-	-	4,321	-
	-	-	3,447,769	2,681,090
Loss provision	-	-	(26,204)	(26,204)
	-	-	3,421,565	2,654,886
Amounts due to related parties:				
The PanJam Share Trust	-	-	17,014	3,052
Subsidiaries:				
Panacea Insurance Limited	-	-	817	817
	-	-	17,831	3,869
Net asset	-	-	3,403,734	2,651,017

The current portion of amounts due from related parties was \$551,611,000 (2019 - \$201,237,000) and to related parties was \$17,831,000 (2019 - \$3,869,000) for the company.

Other balances with related parties are discussed in Notes 15, 17 and 19, which deal with "investment securities", "investments in subsidiaries and associated companies" and "prepayments and miscellaneous assets" respectively.

The group applies the IFRS 9 general approach to measuring expected credit losses for related parties' balances. The company recognised no loss allowance in 2020 and 2019.

PanJam Investment Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

23. Related Party Transactions and Balances (Continued)

(b) The consolidated and company income statements include the following transactions with related parties:

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Subsidiaries -				
Management fees	-	-	49,087	50,049
Interest income	-	-	245,126	227,856
Dividend income	-	-	75,900	-
Associated companies -				
Dividend income	-	-	1,074,854	1,939,429
Other related parties -				
Interest and other income earned	44,740	19,861	34,391	12,117
Interest and other expenses incurred	(54,429)	(55,617)	(1,254)	(1,118)
Other expenses	(14,755)	(14,128)	(11,310)	(10,429)

PanJam Investment Limited

Notes to the Financial Statements

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23. Related Party Transactions and Balances (Continued)

(b) Key management compensation:

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	178,844	286,631	102,314	164,148
Statutory contributions	9,797	9,443	5,788	5,805
Post-employment benefits	20,525	18,128	47	219
Share-based compensation	68,590	47,756	46,235	28,326
	<u>277,756</u>	<u>361,958</u>	<u>154,384</u>	<u>198,498</u>
Directors' emoluments				
Directors' fees	19,020	17,892	17,613	16,588
Management compensation (included above)	94,148	154,583	55,543	87,624
	<u>113,168</u>	<u>172,475</u>	<u>73,156</u>	<u>104,212</u>

(c) Loans from related parties:

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	655,758	713,600	-	-
Repayments	(62,247)	(57,842)	-	-
Interest charged	48,574	53,306	-	-
Interest paid	(48,574)	(53,306)	-	-
	<u>593,511</u>	<u>655,758</u>	<u>-</u>	<u>-</u>

PanJam Investment Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

24. Loan Liabilities

	Currency	Rate %	Repayable	The Group	
				2020 \$'000	2019 \$'000
Secured –					
(i) CIBC First Caribbean International Bank Limited	J\$	5.37	2020	-	2,886
(ii) Sagicor Bank Jamaica Limited/DBJ	J\$	8.00	2021	2,691	7,302
(iii) Sagicor Bank Jamaica Limited	J\$	7.75	2028	590,820	648,454
(iv) JN Bank	J\$	9.25	2024	20,369	20,369
(v) JN Bank	J\$	9.25	2024	25,000	25,000
(vi) Investment Bonds	J\$	3.73/4.32	2022	2,989,235	2,982,436
(vii) Investment Bonds	J\$	6.85	2024	2,771,302	2,761,466
(viii) Investment Bonds	J\$	7.75	2045	4,445,027	-
(ix) Commercial Note	J\$	5.20	2020	-	1,995,050
(x) Urban Renewal Bonds	J\$	2.14 / 2.71	2023	264,422	292,191
(xi) Bank of Nova Scotia Jamaica Limited	J\$	8.49	2021	711	2,024
(xii) Bank of Nova Scotia Jamaica Limited	J\$	8.49	2021	3,527	6,769
(xiii) Bank of Nova Scotia Jamaica Limited	J\$	7.49	2023	2,117	2,890
(xiv) National Commercial Bank Jamaica Limited	J\$	6.35	2024	2,470,250	497,863
Unsecured -					
(xv) JN Properties Limited	J\$	Variable	No fixed date	13,586	13,586
				13,599,057	9,258,286
Interest payable				64,474	85,456
				<u>13,663,531</u>	<u>9,343,742</u>

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

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24. Loan Liabilities (Continued)

	Currency	Rate %	Repayable	The Company	
				2020 \$'000	2019 \$'000
Secured -					
(vi) Investment Bonds	J\$	3.73 / 4.32	2022	2,989,235	2,982,436
(vii) Investment Bonds	J\$	6.85	2024	2,771,302	2,761,466
(viii) Investment Bonds	J\$	7.75	2045	4,445,027	-
(ix) Commercial Note	J\$	5.20	2020	-	1,995,050
(x) Urban Renewal Bonds	J\$	2.14 / 2.71	2023	264,422	292,191
(xii) Bank of Nova Scotia Jamaica Limited	J\$	8.49	2021	3,527	6,769
(xvi) National Commercial Bank Jamaica Limited	J\$	6.35	2024	2,470,250	497,863
				12,943,763	8,535,775
Interest payable				64,474	85,456
				<u>13,008,237</u>	<u>8,621,231</u>

The current portion of loan liabilities amounted to \$163,499,000 (2019 - \$2,185,341,000) for the group and \$97,001,000 (2019 - \$2,117,698,000) for the company.

Commercial Notes/bonds are shown net of transaction costs, which are amortised over the life of the notes. Total transaction costs amounted to \$196,489,000 (2019 - \$132,651,000) and the unamortised portion at 31 December 2020 was \$127,264,000 (2019 - \$72,495,000).

- (i) This loan was issued by CIBC First Caribbean International Bank Limited (FCIB) to assist with elevator equipment upgrade. Interest on this loan was fixed for the first 2 years at 10.5%, following which the rate is 3.5% above the weighted average yield of the last six-month Government of Jamaica Treasury Bill issued prior to the repricing date. The loan was secured by a first mortgage over commercial lots 187 – 194 (inclusive) located at Grenada Crescent, New Kingston and lots 238 – 245 (inclusive) located at 31 – 37 Barbados Avenue, New Kingston. The loan was repaid in 2020.
- (ii) This represents a loan from Development Bank of Jamaica through Sagicor Bank Jamaica Limited, for the purchase and installation of solar panels, which stands as security for the loan. Interest is charged at a rate of 8% per annum. The loan is scheduled to be repaid by 2021.

PanJam Investment Limited

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24. Loan Liabilities (Continued)

- (iii) This represents a loan issued by Sagicor Bank Jamaica Limited to assist with the renovation of building located at 2 – 4 King Street. Interest is charged at Sagicor Bank's base rate less 8.65%. The loan is secured by a first mortgage over the building and is being repaid in 144 monthly instalments ending April 2028.
- (iv) This represents the first drawdown on a J\$67,000,000 mortgage loan facility from JN Bank, to assist with renovations to the building located at 23 – 27 Knutsford Boulevard. Interest is charged at a rate of 9.25% per annum. The loan is secured by a first mortgage over lot 44 located at St Lucia Way, 23 – 27 Knutsford Boulevard and is scheduled to be repaid by 2024.
- (v) This represents the second drawdown on a J\$67,000,000 mortgage loan facility from JN Bank, to assist with the purchase of lots 42 and 43 New Kingston. The loan is secured by a first mortgage over lot 44 located at St Lucia Way, 23 – 27 Knutsford Boulevard and is scheduled to be repaid by 2024. Interest currently charged is 9.25% per annum.
- (vi) This represents the carrying value of certain secured investment bonds issued by the group and company in 2015 with a face value of \$3,000,000,000, net of issue costs. Interest was fixed to August 13, 2017 at 10.85% per annum, following which the rate is 2.50% above the weighted average yield of the six-month Government of Jamaica Treasury Bill prevailing at each repricing date. At December 31, 2020 the interest rate was 3.73%. The bonds are secured by certain Sagicor Group Jamaica Limited shares owned by the group. Of the total bonds issued, related parties hold \$260,000,000.
- (vii) This represents the carrying value of certain secured investment bonds issued by the group and company in 2019, with a face value of \$2,800,000,000, net of issue costs. Interest is fixed at 6.85% per annum for the term of the bond. The bonds are secured by certain Sagicor Group Jamaica Limited shares owned by the group. Of the total bonds issued, related parties hold \$900,000,000.
- (viii) This represents the carrying value of certain unsecured investment bonds issued by the group and company in 2020, with a face value of \$4,500,000,000, net of issue costs. Interest is fixed at 7.75% per annum for the term of the bonds. \$4,432,000,000 of the bonds issued are held by related parties.
- (ix) This represented the carrying value of certain notes issued by the group and company in September 2018, with a face value of \$2,000,000,000, net of issue costs. Interest was fixed at 4.95% to October 30, 2019, thereafter 5.20% per annum. The note was supported by pledge of certain Sagicor Group Jamaica Limited shares owned by the group. The original value of notes issued was \$2,708,924,000, \$708,924,000 was prepaid in 2019 and remaining balance paid in 2020.
- (x) This represents the carrying value of urban renewal bonds issued by the group and company in 2016 with a face value of \$267,500,000, net of issue costs. Interest was fixed to June 16, 2018 at 8.05% per annum multiplied by a factor of 0.875, following which the rate is 1.50% above the weighted average yield of the six-month Government of Jamaica Treasury Bill prevailing at each repricing date, multiplied by a factor of 0.875. The notes are secured by certain Sagicor Group Jamaica Limited shares owned by the group.
- (xi) This represents a loan issued by the Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 8.49% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2021.
- (xii) This represents a loan issued by the Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 8.49% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2021.

PanJam Investment Limited

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(expressed in Jamaican dollars unless otherwise indicated)

24. Loan Liabilities (Continued)

- (xiii) This represents a loan issued by the Bank of Nova Scotia Jamaica Limited. Interest is charged at a rate of 7.49% per annum and is secured a by motor vehicle. The loan is scheduled to be repaid by 2023.
- (xiv) This represents \$2,500,000,000 loan facility from National Commercial Bank Jamaica Limited to refinance debt and for general working capital. Interest is fixed at 6.35% per annum. The loan is scheduled to be repaid in 2024 and is secured by certain Sagicor Group Jamaica Limited shares owned by the group.
- (xv) This represents a loan advanced by JN Properties Limited. The debt is unsecured, attracts interest at a variable rate and has no fixed repayment terms.

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25. Lease Liabilities

The lease obligations are as follows:

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments:				
Not later than 1 year	4,043	10,800	9,480	8,778
Later than 1 year and not later than 5 years	32,016	33,265	91,356	100,836
	36,059	44,065	100,836	109,614
Future finance charges	(1,080)	(3,561)	(36,521)	(37,975)
Present value of lease obligations	34,979	40,504	64,315	71,639

The present value of the lease obligations is as follows:

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	3,700	5,917	7,739	7,667
Later than 1 year and not later than 5 years	31,279	34,587	56,576	63,972
	34,979	40,504	64,315	71,639

Certain leases are secured by motor vehicles owned by the group. Refer to Note 2 (k) which detail show the incremental rate is determined and policies surrounding the variable lease payments, termination costs and nature of short-term leases.

26. Other Liabilities

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Other liabilities and accrued expenses	195,885	289,427	96,699	163,390
Reinsurance liabilities	79,804	83,504	-	-
Deposits	67,054	66,861	-	-
Trade payables	68,238	55,327	16,009	17,610
Dividends payable	-	264,775	-	266,540
Accounts payable	71,040	69,700	71,229	67,511
	482,021	829,594	183,937	515,051

The current portion of other liabilities amounted to \$414,892,000 (2019 - \$762,732,000) for the group and \$184,048,000 (2019 - \$515,051,000) for the company. Dividends payable relates to a special dividend declared by the company paid on 31 January 2020.

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27. Share Capital

	2020	2019
	No.	No.
	'000	'000
Authorised share capital of no-par value -		
Ordinary shares	1,250,000	1,250,000
	\$'000	\$'000
Issued and fully paid -		
1,066,159,890 stock units	2,141,985	2,141,985

28. Stock Grants and Options/Equity Compensation Reserve

The company operates a Long-Term Incentive Plan ("LTIP") administered by a committee of the company's Board of Directors. The company has reserved 7.5% of its authorized share capital for issue under the plan.

Under the LTIP, certain executive officers of the group are eligible to receive awards of a combination of company stock grants and stock options, once a predetermined company performance objective is met. The awards are made annually in May, and vest in four equal annual installments beginning with the first December 31 (for options) and April 30 (for grants) following the date of award. Vesting in both stock grants and stock options awarded under the plan is dependent on time-based, company and individual performance criteria. Vested options are exercisable for 7 years from the date of award. Awards of grants and options are formula-based dependent on the percentage of each awardee's base compensation at the date of award subject to the LTIP, and the fair value of stock options and stock grants awarded. The fair value of stock grants, and the exercise price and fair value of stock options, is set based on the closing bid price of the company's stock on the last trading day in March of the year in which the award is made.

Shares issued when stock grants are vested and when stock options are exercised have the same rights as other issued common shares.

During the year, grants of 417,426 (2019 – 377,112) shares of company stock were awarded under the plan to seven executives, and 807,163 (2019 – 929,567) shares became fully vested and were issued.

At December 31, 2020, options over 11,617,926 (2019 – 12,156,526) shares were outstanding, 9,187,645 (2019 - 9,010,499) of which were vested and exercisable, at the prices per share as follows:

Expiring December 31	Outstanding	Vested	Exercise Price
2021	473,605	473,605	\$9.81
2022	1,919,418	1,919,418	\$11.40
2023	2,062,945	2,062,945	\$18.67
2024	1,465,024	1,465,024	\$34.94
2025	2,408,754	1,789,424	\$42.57
2026	1,598,858	898,261	\$81.70
2027	1,689,322	578,968	\$77.50
	<u>11,617,926</u>	<u>9,187,645</u>	

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28. Stock Grants and Options/Equity Compensation Reserve (Continued)

During 2020, options over 2,227,922 (2019 – 2,074,300) shares were exercised. No options expired or were forfeited during the year.

The company uses the Black-Scholes option pricing model for determining the fair value of stock options awarded, which is expensed over the vesting period. The range of values of stock options awarded as at December 31, 2020, as determined using this model, was \$9.59 to \$19.27 (2019 - \$4.38 to \$19.27). The significant inputs into the model were as follows:

	2020	2019
Exercise price (range in \$ per share)	\$34.94 - \$81.70	\$18.67 - \$ 81.70
Annual risk-free rate	4.0%	4.0% - 8.2%
Volatility factor	26.0%	26.0% - 30.1%
Expected dividend yield	2.5%	2.5% - 4.5%
Expected life (in years)	4.00	4.00 – 4.75

Share-based compensation expense is recognised over the vesting period of each award and is based on the total fair value of all awards expected to vest. The group and the company recognised share-based compensation in 2020 of \$68,590,000 and \$46,235,000 (2019 - \$47,756,000 and \$28,326,000), respectively. To satisfy its obligations in relation to the stock grants of \$41,373,000 (2019 - \$32,336,000) for the group and \$31,717,000 (2019 - \$23,504,000) for the company, the group issued shares from its holdings of treasury shares, with a cost of \$27,098,000 (2019 - \$111,731,000).

Movement in Equity Compensation Reserves

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	89,376	73,956	34,688	29,866
Value of service provided	68,590	47,756	46,235	28,326
Options/grants issued	<u>(41,372)</u>	<u>(32,336)</u>	<u>(31,171)</u>	<u>(23,504)</u>
Balance at 31 December	<u>116,594</u>	<u>89,376</u>	<u>49,752</u>	<u>34,688</u>

29. Property Revaluation Reserve

The balance represents the accumulated revaluation gains on investment properties attributable to owners of the parent, transferred from retained earnings.

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30. Investment and Other Reserves

These comprise:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Fair value gains on investments	(79,101)	(4,333)	(110,743)	(41,042)
Capital reserves	2,802,822	2,735,041	1,337,983	1,337,983
Capital redemption reserves	2,176	2,176	2,200	2,200
Share of other comprehensive income of associated companies	2,669,801	1,296,294	-	-
	<u>5,395,698</u>	<u>4,029,178</u>	<u>1,229,440</u>	<u>1,299,141</u>
Capital reserves:				
Realised gain on sale of treasury shares	269,265	210,228	-	-
Realised gain on sale of insurance operations	1,161,344	1,161,344	2,688,484	2,688,484
Realised gain on dilution of holding in subsidiaries and associates	433,516	433,516	-	-
Reserve arising on acquisition of non-controlling interest	623,267	623,267	(1,493,255)	(1,493,255)
Other	315,430	306,686	142,754	142,754
	<u>2,802,822</u>	<u>2,735,041</u>	<u>1,337,983</u>	<u>1,337,983</u>

Fair value gains on investments for the group are shown net of deferred taxes of \$13,250,000 (2019 – \$11,083,000) with respect to revaluation adjustments to investments.

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31. Dividends

	2020	2019
	\$'000	\$'000
First interim dividend for 2020 at \$0.275 (2019 - \$0.265) per stock unit - gross	293,194	282,532
Second interim dividend for 2020 at \$0.00 (2019 - \$0.265) per stock unit – gross	-	282,533
Third interim dividend for 2020 at \$0.00 (2019 - \$0.265) per stock unit – gross	-	282,532
Fourth interim dividend for 2020 at \$0.105 (2019 - \$0.265) per stock unit - gross	111,946	282,533
	<u>405,140</u>	<u>1,130,130</u>
Special dividends declared for 2020 at \$0.00 per stock unit (2019 – \$0.25)	-	266,540
	<u>405,140</u>	<u>1,396,670</u>
Less: Dividends on treasury stock	<u>(2,470)</u>	<u>(10,094)</u>
Total dividends declared	<u>402,670</u>	<u>1,386,576</u>
Dividends paid by the company	<u>671,680</u>	<u>1,130,130</u>
Dividends paid by the group	<u>668,503</u>	<u>1,121,801</u>

On 2 March 2021, the company declared a dividend of \$0.105 per stock unit amounting to \$111,946,000 for which there is no accrual in the 2020 financial statements. On 6 March 2020, the company declared a dividend of \$0.275 per stock unit, amounting to \$293,194,000 for which there is no accrual in the 2019 financial statements.

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32. (a) Cash Flows from Operating Activities

	The Group		The Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Net (loss) / profit	3,534,310	8,350,265	(491,080)	5,134,818
Adjustments to reconcile net profit to cash flows provided by operating activities:				
Depreciation of property, plant and equipment	37,817	37,588	9,078	9,179
(Gain) / loss on disposal of property, plant and equipment	(29)	1,016	-	-
Amortisation of intangibles	5,211	-	3,435	-
Stock compensation expense	68,590	47,756	46,235	28,326
Interest income	(248,623)	(186,337)	(476,020)	(285,699)
Dividend income	-	-	(998,687)	-
Finance costs	835,909	664,800	778,498	602,402
Impairment of non-financial asset	-	-	345,855	-
Share of results of associated companies	(3,866,414)	(4,953,100)	-	-
Gain on disposal of shares in associated companies	-	(1,623,136)	-	(2,291,176)
Gain on disposal of land held for development	(326,180)	-	-	-
Income tax (credit) / expense	(188,725)	384,277	(288,017)	215,570
Change in retirement benefit asset/obligation	87,164	75,093	615	(317)
Fair value gains on investment properties	(323,815)	(498,452)	-	-
Gains on foreign currency denominated investments	(164,305)	(87,688)	(220,360)	(74,052)
Impairment of financial assets	38,438	36,006	9,250	35,762
Unrealised losses/(gains) on financial assets at fair value through profit or loss	1,113,319	(1,575,032)	1,295,828	(1,436,373)
	602,667	673,056	14,630	1,938,440
Changes in operating assets and liabilities:				
Taxation recoverable	(19,072)	(8,743)	(39,068)	(23,531)
Other assets	(119,810)	(131,808)	8,988	(75,888)
Other liabilities	(82,758)	45,304	(66,337)	20,715
Disposal of financial assets at fair value through profit or loss	443,571	691,079	295,570	692,614
	824,598	1,268,888	213,783	2,552,350
Interest received	215,434	84,239	332,688	292,192
Income tax paid	(75,412)	(122,834)	(20,624)	(9,315)
Net cash provided by operating activities	964,620	1,230,293	525,847	2,835,227

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32. (b) Movement in Net Debt

	Group			Company		
	Lease Liabilities \$'000	Loan Liabilities \$'000	Total \$'000	Lease Liabilities \$'000	Loan Liabilities \$'000	Total \$'000
Net debt as at 1 January 2019	8,106	10,559,530	10,567,636	-	9,742,084	9,742,084
Cash flows						
Non-Cash addition	37,420	-	37,420	79,235	-	79,235
Addition	-	3,400,439	3,400,439	-	3,393,013	3,393,013
Repayment	(5,022)	(4,582,959)	(4,587,981)	(8,128)	(4,487,903)	(4,496,031)
Interest expense	-	664,800	664,800	532	601,870	602,402
Interest paid	-	(610,593)	(610,593)	-	(540,358)	(540,358)
Deferred costs	-	(87,475)	(87,475)	-	(87,475)	(87,475)
Net debt as at 31 December 2019	40,504	9,343,742	9,384,246	71,639	8,621,231	8,692,870
Addition	-	6,495,000	6,495,000	-	6,495,000	6,495,000
Repayment	(5,525)	(2,099,469)	(2,104,994)	(8,434)	(2,032,242)	(2,040,676)
Interest expense	-	830,931	830,931	1,110	772,409	773,519
Interest paid	-	(851,903)	(851,903)	-	(793,391)	(793,391)
Deferred costs	-	(54,770)	(54,770)	-	(54,770)	(54,770)
Net debt as at 31 December 2020	34,979	13,663,531	13,698,510	64,315	13,008,237	13,072,552

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33. Financial Risk Management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the Investment Committee, which identifies, evaluates and manages financial risks in close co-operation with the group's operating business units. The Board of Directors sets guidelines for overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

(a) Market risk

The group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates, political risk and economic risk. Market risk is monitored by the group treasury function which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

There has been no change to the group's exposure to market risks or the manner in which it manages and measures the risk.

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States (US), Canadian (CAD) and Barbadian (BD) dollars. Foreign exchange risk arises from transactions for purchases and recognised assets and liabilities.

The group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The group further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

Concentration of currency risk

The table below summarises the currencies in which the group's and company's financial assets and liabilities are denominated at 31 December:

	The Group			
	2020			
	Jamaican \$	US\$	CAD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Financial assets				
Cash and bank balances	84,414	39,576	1,159	125,149
Deposits	62,666	626,743	4,866	694,275
Investment securities	8,576,909	3,678,016	195,742	12,450,667
Securities purchased under agreements to resell	94,378	774,334	-	868,712
Trade and other receivables	444,171	194,792	-	638,963
Total financial assets	9,262,538	5,313,461	201,767	14,777,766
Financial liabilities				
Bank overdraft	11,378	-	-	11,378
Loan liabilities	13,663,531	-	-	13,663,531
Lease liabilities	34,979	-	-	34,979
Other liabilities	320,869	161,152	-	482,021
Total financial liabilities	14,030,757	161,152	-	14,191,909
Net position	(4,768,219)	5,152,309	201,767	585,857

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Group			
	2019			
	Jamaican \$	US\$	CAD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Financial assets				
Cash and bank balances	78,875	80,237	1,017	160,129
Deposits	178,645	512,951	7,723	699,319
Investment securities	6,567,134	3,141,985	279,129	9,988,248
Securities purchased under agreements to resell	452,704	399,622	-	852,326
Trade and other receivables	384,493	203,858	-	588,351
Total financial assets	7,661,851	4,338,653	287,869	12,288,373
Financial liabilities				
Bank overdraft	5,206	-	-	5,206
Loan liabilities	9,343,742	-	-	9,343,742
Lease liabilities	40,504	-	-	40,504
Other liabilities	653,683	175,911	-	829,594
Total financial liabilities	10,043,135	175,911	-	10,219,046
Net position	(2,381,284)	4,162,742	287,869	2,069,327

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Company			
	2020			
	Jamaican \$	US\$	CAD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Financial assets				
Cash and bank balances	48,524	14,391	-	62,915
Deposits	34,282	462,903	-	497,185
Investment securities	8,656,129	1,881,768	195,742	10,733,639
Securities purchased under agreements to resell	64,454	638,777	-	703,231
Due from related parties	1,700,555	1,721,010	-	3,421,565
Receivables	153,711	-	-	153,711
Total financial assets	10,657,655	4,718,849	195,742	15,572,246
Financial liabilities				
Bank overdraft	11,377	-	-	11,377
Due to related parties	17,014	817	-	17,831
Loan liabilities	13,008,237	-	-	13,008,237
Lease liabilities	64,315	-	-	64,315
Other liabilities	183,937	-	-	183,937
Total financial liabilities	13,284,880	817	-	13,285,697
Net position	(2,627,225)	4,718,032	195,742	2,286,549

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Company			
	2019			
	Jamaican \$	US\$	CAD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Financial assets				
Cash and bank balances	15,702	9,565	-	25,267
Deposits	175,376	413,289	2,796	591,461
Investment securities	6,556,907	1,641,771	279,129	8,477,807
Securities purchased under agreements to resell	296,418	290,878	-	587,296
Due from related parties	1,240,305	1,414,581	-	2,654,886
Receivables	193,300	-	-	193,300
Total financial assets	8,478,008	3,770,084	281,925	12,530,017
Financial liabilities				
Bank overdraft	5,206	-	-	5,206
Due to related parties	3,052	817	-	3,869
Lease liabilities	71,639	-	-	71,639
Loan liabilities	8,621,231	-	-	8,621,231
Other liabilities	515,051	-	-	515,051
Total financial liabilities	9,216,179	817	-	9,216,996
Net position	(738,171)	3,769,267	281,925	3,313,021

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency-denominated financial instruments and adjusts their translation at the year-end for a 6% increase and 2% decrease (2019- 6% increase and 4% decrease) in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange (gains)/losses on translation of US dollar-denominated monetary financial securities classified as fair value through profit or loss and foreign exchange (losses)/gains on translation of US dollar-denominated borrowings. The sensitivity of other components of equity was as result of translation gains/ (losses) on the other foreign currency denominated equities classified as fair value through other comprehensive income.

	The Group					
	% Change in Currency Rate 2020	Effect on Profit before Tax 2020 \$'000	Effect on other Components of Equity 2020 \$'000	% Change in Currency Rate 2019	Effect on Profit before Tax 2019 \$'000	Effect on other Components of Equity 2019 \$'000
Currency:						
USD	6%	299,416	9,723	6%	242,284	7,381
USD	-2%	(99,805)	(3,241)	-4%	(161,589)	(4,920)
CAD	6%	362	11,745	6%	627	16,659
CAD	-2%	(121)	(3,915)	-4%	(409)	(11,106)

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

The Company						
	% Change in Currency Rate	Effect on Profit before Tax	Effect on other Components of Equity	% Change in Currency Rate	Effect on Profit before Tax	Effect on other Components of Equity
	2020	2020	2020	2019	2019	2019
		\$'000	\$'000		\$'000	\$'000
Currency:						
USD	6%	283,082	-	6%	226,156	-
USD	-2%	(94,361)	-	-4%	(150,771)	-
CAD	6%	-	11,745	6%	257	16,659
CAD	-2%	-	(3,915)	-4%	(171)	(11,106)

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33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the group and company to cash flow interest risk, whereas fixed interest rate instruments expose the group to fair value interest risk.

The group's and company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities.

The following tables summarise the group's and the company's exposure to interest rate risk. It includes the group and company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						Total
	Within 1	1 to 3	3 to 12	1 to 5	Over 5	Non-	
	Month	Months	Months	Years	Years	Interest	
	\$'000	\$'000	\$'000	\$'000	\$'000	Bearing	\$'000
At 31 December 2020:							
Financial assets							
Cash and bank balances	117,182	-	-	-	-	7,967	125,149
Deposits	465,974	128,352	96,519	3,430	-	-	694,275
Investment securities	299,428	1,754,350	259,872	1,591,942	764,693	7,780,382	12,450,667
Securities purchased under agreements to resell	460,425	408,287	-	-	-	-	868,712
Trade and other receivables	8,436	-	-	-	-	630,527	638,963
Total financial assets	1,351,445	2,290,989	356,391	1,595,372	764,693	8,418,876	14,777,766
Financial liabilities							
Bank overdraft	11,378	-	-	-	-	-	11,378
Loan liabilities	590,820	2,989,235	271,351	5,289,037	4,458,614	64,474	13,663,531
Lease liabilities	-	-	882	9,739	24,358	-	34,979
Other liabilities	8,437	-	-	-	-	473,584	482,021
Total financial liabilities	610,635	2,989,235	272,233	5,298,776	4,482,972	538,058	14,191,909
Total interest repricing gap	740,810	(698,246)	84,158	(3,703,404)	(3,718,279)	7,880,818	585,857
Cumulative interest repricing gap	740,810	42,564	126,722	(3,576,682)	(7,294,961)	585,857	

PanJam Investment Limited

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31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
	At 31 December 2019:						
Financial assets							
Cash and bank balances	137,499	-	-	-	-	22,630	160,129
Deposits	514,947	156,697	24,407	-	3,268	-	699,319
Investment securities	-	-	-	484,053	292,331	9,211,864	9,988,248
Securities purchased under agreements to resell	673,281	94,723	84,322	-	-	-	852,326
Trade and other receivables	4,083	-	-	-	-	584,268	588,351
Total financial assets	1,329,810	251,420	108,729	484,053	295,599	9,818,762	12,288,373
Financial liabilities							
Bank overdraft	5,206	-	-	-	-	-	5,206
Loan liabilities	648,454	2,982,436	2,290,127	3,323,683	13,586	85,456	9,343,742
Lease liabilities	-	-	-	40,504	-	-	40,504
Other liabilities	4,086	-	-	-	-	825,508	829,594
Total financial liabilities	657,746	2,982,436	2,290,127	3,364,187	13,586	910,964	10,219,046
Total interest repricing gap	672,064	(2,731,016)	(2,181,398)	(2,880,134)	282,013	8,907,798	2,069,327
Cumulative interest repricing gap	672,064	(2,058,952)	(4,240,350)	(7,120,484)	(6,838,471)	2,069,327	

PanJam Investment Limited

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(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						Total
	Within 1	1 to 3	3 to 12	1 to 5	Over	Non-Interest	
	Month	Months	Months	Years	5 Years	Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2020:							
Financial assets							
Cash and bank balances	62,915	-	-	-	-	-	62,915
Deposits	277,180	128,352	91,653	-	-	-	497,185
Investment securities	299,428	1,754,350	259,872	1,922,481	701,347	5,796,161	10,733,639
Securities purchased under agreements to resell	351,649	351,582	-	-	-	-	703,231
Due from related parties	543,875	-	453,882	1,649,494	430,532	343,782	3,421,565
Receivables	8,436	-	-	-	-	145,275	153,711
Total financial assets	1,543,483	2,234,284	805,407	3,571,975	1,131,879	6,285,218	15,572,246
Financial liabilities							
Bank overdraft	11,377	-	-	-	-	-	11,377
Due to related parties	-	-	-	-	-	17,831	17,831
Loan liabilities	-	2,989,235	267,949	5,241,552	4,445,027	64,474	13,008,237
Lease liabilities	-	-	-	-	64,315	-	64,315
Other liabilities	8,437	-	-	-	-	175,500	183,937
Total financial liabilities	19,814	2,989,235	267,949	5,241,552	4,509,342	257,805	13,285,697
Total interest repricing gap	1,523,669	(754,951)	537,458	(1,669,577)	(3,377,463)	6,027,413	2,286,549
Cumulative interest repricing gap	1,523,669	768,718	1,306,176	(363,401)	(3,740,864)	2,286,549	

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(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						Total
	Within 1	1 to 3	3 to 12	1 to 5	Over	Non-Interest	
	Month	Months	Months	Years	5 Years	Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2019:							
Financial assets							
Cash and bank balances	25,267	-	-	-	-	-	25,267
Deposits	441,258	150,203	-	-	-	-	591,461
Investment securities	-	-	-	809,716	201,866	7,466,225	8,477,807
Securities purchased under agreements to resell	558,500	28,796	-	-	-	-	587,296
Due from related parties	-	-	120,512	1,609,969	732,500	191,905	2,654,886
Receivables	4,083	-	-	-	-	189,217	193,300
Total financial assets	1,029,108	178,999	120,512	2,419,685	934,366	7,847,347	12,530,017
Financial liabilities							
Bank overdraft	5,206	-	-	-	-	-	5,206
Due to related parties	-	-	-	-	-	3,869	3,869
Loan liabilities	-	2,982,436	2,287,241	3,266,098	-	85,456	8,621,231
Lease liabilities	-	-	-	-	71,639	-	71,639
Other liabilities	4,086	-	-	-	-	510,965	515,051
Total financial liabilities	9,292	2,982,436	2,287,241	3,266,098	71,639	600,290	9,216,996
Total interest repricing	1,019,816	(2,803,437)	(2,166,729)	(846,413)	862,727	7,247,057	3,313,021
Cumulative interest repricing gap	1,019,816	(1,783,621)	(3,950,350)	(4,796,763)	(3,934,036)	3,313,021	

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(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the group's and company's income statement and stockholders' equity.

The group's and company's interest rate risk arise from investment securities, securities purchased under agreements to resell and long-term borrowings. The sensitivity of the income statement is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and floating rate liabilities. The sensitivity of other components of equity is calculated by revaluing fixed rate financial assets at fair value through profit or loss or amortised cost for the effects of the assumed changes in interest rates.

		The Group		The Company	
		Effect on Profit before Taxation 2020	Effect on Other Components of Equity 2020	Effect on Profit before Taxation 2020	Effect on Other Components of Equity 2020
		\$'000	\$'000	\$'000	\$'000
Change in basis points:					
2020	2020				
JA\$	US\$				
+100	+100	(25,236)	(37,362)	(21,384)	(37,284)
-100	-100	25,236	39,865	21,384	39,786

		The Group		The Company	
		Effect on Profit before Taxation 2019	Effect on Other Components of Equity 2019	Effect on Profit before Taxation 2019	Effect on Other Components of Equity 2019
		\$'000	\$'000	\$'000	\$'000
Change in basis points:					
2019	2019				
JA\$	US\$				
+100	+100	(25,369)	(13,618)	(21,851)	(13,471)
-100	-100	25,369	14,680	21,851	14,530

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The group and company are exposed to equity price risk because of investments held by the group and company classified on the respective statements of financial position either fair value through profit or loss or FVOCI. The group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact on total stockholders' equity (before tax) of a 5% increase and 10% decrease (2019 -10% increase/decrease) in equity prices is an increase of \$389,019,000 and \$289,808,000 and decrease of \$778,038,000 and \$579,616,000 for the group and company respectively (2019 – \$921,186,700 and \$746,622,500 increase/decrease) for the group and company.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from cash and cash equivalents (excluding bank balances), contractual cash flows of debt investments carried at amortised cost, at FVOCI and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

The group and company have policies in place to ensure that property rentals and services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. The group manages its credit risk by screening its customers, establishing credit limits, obtaining bankers' guarantees or collateral for loans where applicable, the rigorous follow-up of receivables and ensuring investments are low-risk or are held with sound financial institutions.

(i) Trade receivables

Trade receivables relate mainly to tenants of the group's commercial properties. Receivables are monitored and followed up on a regular basis and provisions made as deemed necessary based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

(ii) Investments

The group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

(iii) Guarantees

The group's policy is not to provide financial guarantees on behalf of any other party than wholly owned subsidiaries and other entities in which the group has an equity investment.

PanJam Investment Limited

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31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Maximum exposure to credit risk

	Maximum exposure			
	The Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Credit risk exposures relating to on statement of financial position items are as follows:				
Assets:				
Cash and bank balances	125,149	160,129	62,915	25,267
Deposits	694,275	699,319	497,185	591,461
Financial assets at fair value through other comprehensive income	1,023,489	519,585	951,914	447,805
Financial assets at amortised cost	3,646,796	229,835	3,985,564	563,777
Securities purchased under agreements to resell	868,712	852,326	703,231	587,296
Trade and other receivables	638,963	588,351	153,711	193,300
Due from related parties	-	-	3,421,565	2,654,886
	<u>6,997,384</u>	<u>3,049,545</u>	<u>9,776,085</u>	<u>5,063,792</u>
Credit risk exposures relating to assets not recorded on the statement of financial position				
Lease commitments	<u>2,076,185</u>	<u>2,234,719</u>	-	-

The above table represents a worst-case scenario of credit risk exposure to the group and company at 31 December 2020 and 2019, without taking account of any collateral held or other credit enhancements. For assets carried on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. A loss allowance was recognised for the year ended 31 December 2020 of (2019- nil) for the group and (2019 - nil) for the company for certain investment securities.

PanJam Investment Limited

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(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Impairment of financial assets

The group has three types of financial assets that are subject to the expected credit loss (ECL) model:

- trade receivables
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

(i) Trade and managed properties receivables

The following table summarises the group's and company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	The Group	
	2020	2019
	\$'000	\$'000
Commercial	74,343	36,077
Retail	18,220	15,491
Managed properties	113,146	90,883
	<u>205,709</u>	<u>142,451</u>
Less: Loss allowance	(53,755)	(22,282)
	<u>151,954</u>	<u>120,169</u>

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit loss rates are based on the historical credit losses experienced within a three-year period before 31 December 2020. The historical rates are adjusted to reflect current and forward-looking information on the macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the Gross Domestic Product (GDP), the interest rate and the inflation rate of the country in which it sells its services to be the most relevant factors and accordingly adjusts the historical loss rates based on the expected changes in these factors.

PanJam Investment Limited

Notes to the Financial Statements

31 December 2020

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Trade and managed properties receivables (continued)

On this basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows for trade receivables:

	<u>The Group</u>	
	Expected Credit Loss Rate	Gross Carrying Amount \$'000
31 December 2020		
Current	15%	45,472
More than 30 days past due	43%	6,057
More than 90 days past due	100%	41,034
		<u>92,563</u>
Managed properties		<u>113,146</u>
		205,709
Loss allowance		<u>(53,755)</u>
Total		<u><u>151,954</u></u>

	<u>The Group</u>	
	Expected Credit Loss Rate	Gross Carrying Amount \$'000
31 December 2019		
Current	5%	12,317
More than 30 days past due	3%	6,512
More than 90 days past due	69%	32,739
		<u>51,568</u>
Managed properties		<u>90,883</u>
		142,451
Loss allowance		<u>(22,282)</u>
Total		<u><u>120,169</u></u>

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Trade and managed properties receivables (continued)

The closing loss allowances for trade receivables as at 31 December 2019 reconcile to the opening loss allowance as follows:

	The Group	
	2020	2019
	\$'000	\$'000
Opening loss allowance as at 1 January	22,282	25,855
Increase in loan loss allowance recognised in income statement	29,956	2,295
Receivables recovered during the year	1,816	-
Receivables written off during the year as uncollectible	(299)	(5,868)
At 31 December	<u><u>53,755</u></u>	<u><u>22,282</u></u>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are included in the net impairment losses on financial assets in the income statement.

(ii) Other miscellaneous assets

Other miscellaneous assets at amortised cost include loans to related parties and other receivables totaling of \$142,004,000 for both 2020 and 2019

The loss allowance for loans and other receivables to related parties carried at amortised are reconciled as follows:

	The Company
	\$'000
Opening loss allowance as at 1 January 2019	26,204
Increase in allowance recognised in profit or loss during the period	-
Closing loss allowance as at 31 December 2019	<u>26,204</u>
Increase in allowance recognised in profit or loss during the period	-
Closing loss allowance as at 31 December 2020	<u><u>26,204</u></u>

PanJam Investment Limited

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Debt investments

The following table summarises the credit exposure of the group and company to businesses and government by sectors in respect of investments (excluding equities, investments in subsidiaries and associated companies and related parties' debt):

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Government of Jamaica	867,579	201,214	859,350	192,936
Corporate and other government	4,382,919	2,126,812	3,957,002	1,663,461
	<u>5,250,498</u>	<u>2,328,026</u>	<u>4,816,352</u>	<u>1,856,397</u>

Significant increase in credit risk

- Qualitative assessment – Credit ratings are associated with ranges of default probabilities based on historical information. Rating outlooks, which are inherently forward-looking, are used to determine the probability of default to be applied to a specific security within its respective range. In calculating the probability of default, the group uses credit ratings along with rating outlooks from recognised rating agencies. The ratings and risk estimates are mapped to an internal credit risk grading model in order to standardise across different rating systems and to clearly demarcate significant changes in credit risk over time.

A qualitative assessment is done at initial recognition and subsequently at each statement of financial position date and where it is determined that there is a significant increase in the probability of default (PD) the security is categorised as stage 2 for the purpose of calculating the ECL. If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

- Quantitative assessment - Investment securities considered to have experienced a significant increase in credit risk if it is more than 30 days past due on its contractual payments.

PanJam Investment Limited

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(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Debt investments (continued)

Expected credit loss measurement

IFRS 9 outlined a 'three stage' model for impairment based on changes in the credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk (except for investment in Government of Barbados securities) and the loss allowance recognised during the period was therefore limited to 12 months expected losses (Stage 1). Management considers 'low credit risk' for bonds to be those with an investment grade or high yield credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In 2019 the group participated in the Government of Barbados debt exchange programme and at 31 December 2020 the bonds were classified as purchased originated credit impaired totalled \$27,554,000 for the group and company and are considered stage 3.

PanJam Investment Limited

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Debt investments (continued)

The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI. The movement in loss allowance is as follows

	The Group						
	FVOCI	Amortised		Loans	Repos	Deposits	Total
	Bonds	cost					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2019	33,168	1,322	89	3,475	2,049	40,103	
Increase/(Decrease) in loss allowance recognised in the income statement during the year	(11,379)	1,274	43,614	(1,256)	1,458	33,711	
Balance at 31 December 2019	21,789	2,596	43,703	2,219	3,507	73,814	
(Decrease)/Increase in loss allowance recognised in the income statement during the year	6,683	11,292	(7,566)	578	(2,505)	8,482	
Closing loss allowance as at 31 December 2020	28,472	13,888	36,137	2,797	1,002	82,296	

	The Company						
	FVOCI	Amortised		Loans	Repos	Deposits	Total
	Bonds	cost					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2019	31,637	1,322	89	2,439	850	36,337	
(decrease)/(increase) in loss allowance recognised in the income statement during the year	(10,272)	1,274	43,614	(969)	2,115	35,762	
Balance at 31 December 2019	21,365	2,596	43,703	1,470	2,965	72,099	
Increase/decrease in loss allowance recognised in the income statement during the year	6,767	11,292	(7,566)	890	(2,133)	9,250	
Closing loss allowance as at 31 December 2020	28,132	13,888	36,137	2,360	832	81,349	

PanJam Investment Limited

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Total loss allowance on financial assets at 31 December 2020 was \$136,051,000 (investment securities \$82,296,000, and trade receivables, \$53,755,000) for the group and \$107,553,000 (investment securities, \$81,349,000 and related parties, \$26,204,000) for the company.

Sensitivity analysis

Set out below are the changes in ECL as at 31 December 2020 that would result from a reasonable possible change in the PDs used by the group:

Financial Assets	The Group			
	Actual PD ranges applied	% Change in PD	Impact on ECL	
			Higher threshold	Lower threshold
			\$'000	\$'000
Debt instruments- FVOCI	1.1%-3.2%	+/-20%	1,875	(1,875)
Debt instruments at amortised cost	0.3%-14.6%	+/-20%	9,583	(9,583)
Cash and cash equivalents	0.1%-3.2%	+/-20%	760	(760)
Trade receivables and other miscellaneous assets	1%-2%	+/-20%	1,090	(1,090)
Total			13,308	(13,308)

Financial Assets	The Company			
	Actual PD ranges applied	% Change in PD	Impact on ECL	
			Higher threshold	Lower threshold
			\$'000	\$'000
Debt instruments- FVOCI	1.1%-3.2%	+/-20%	1,807	(1,807)
Debt instruments at amortised cost	0.3%-14.6%	+/-20%	9,583	(9,583)
Cash and cash equivalents	0.1%-3.2%	+/-20%	639	(639)
Total			12,029	(12,029)

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33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Sensitivity analysis (continued)

Set out below are the changes in ECL as at 31 December 2019 that would result from a reasonable possible change in the PDs used by the group:

Financial Assets	The Group			
	Actual PD ranges applied	% Change in PD	Impact on ECL	
			Higher threshold	Lower threshold
			\$'000	\$'000
Debt instruments- FVOCI	1%-70%	+/-20%	2,817	(2,817)
Debt instruments at amortised cost	1% -70%	+/-20%	9,260	(9,260)
Cash and cash equivalents	1%	+/-20%	1,127	(1,127)
Trade receivables and other miscellaneous assets	2%-3%	+/-20%	659	(440)
Total			13,863	(13,644)

Financial Assets	The Company			
	Actual PD ranges applied	% Change in PD	Impact on ECL	
			Higher threshold	Lower threshold
			\$'000	\$'000
Debt instruments- FVOCI	1%-70%	+/-20%	2,732	(2,732)
Debt instruments at amortised cost	1% -70%	+/-20%	9,260	(9,260)
Cash and cash equivalents	1%	+/-20%	888	(888)
Total			12,880	(12,880)

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33. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The group's liquidity management process, as carried out within the group and monitored by the Investment Committee, includes:

- (i) Monitoring future cash flows and liquidity on a weekly basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining lines of credit;
- (iv) Optimising cash returns on investments; and
- (v) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates and exchange rates.

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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows

The tables below summarise the maturity profile of the group's and company's financial assets and liabilities at 31 December based on contractual undiscounted payments.

	The Group						Total \$'000
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
As at 31 December 2020							
Financial assets							
Cash and bank balances	125,153	-	-	-	-	-	125,153
Deposits	466,446	129,298	97,517	4,100	-	-	697,361
Investment securities	313,205	1,731,963	406,845	2,051,709	505,190	7,780,382	12,789,294
Securities purchased under agreements to resell	461,269	411,509	-	-	-	-	872,778
Trade and other receivables	116,405	274,153	109,355	139,050	-	-	638,963
Total financial assets (contractual maturity dates)	1,482,478	2,546,923	613,717	2,194,859	505,190	7,780,382	15,123,549
Financial liabilities							
Bank overdraft	11,386	-	-	-	-	-	11,386
Loans	23,963	196,720	747,016	5,529,699	8,821,976	-	15,319,374
Lease liabilities	515	888	2,640	7,658	24,358	-	36,059
Other liabilities	41,995	264,418	175,608	-	-	-	482,021
Total financial liabilities (contractual maturity dates)	77,859	462,026	925,264	5,537,357	8,846,334	-	15,848,840
Net Liquidity Gap	1,404,619	2,084,897	(311,547)	(3,342,498)	(8,341,144)	7,780,382	(725,291)
Cumulative Liquidity Gap	1,404,519	3,489,416	3,177,869	(164,629)	(8,505,773)	(725,391)	

PanJam Investment Limited

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33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
	As at 31 December 2019						
Financial assets							
Cash and bank balances	160,142	-	-	-	-	-	160,142
Deposits	517,918	157,891	24,587	-	4,307	-	704,703
Investment securities	3,936	6,056	41,920	461,665	335,572	9,211,867	10,061,016
Securities purchased under agreements to resell	614,956	240,321	-	-	-	-	855,277
Trade and other receivables	144,207	188,492	116,608	139,050	-	-	588,357
Total financial assets (contractual maturity dates)	1,441,159	592,760	183,115	600,715	339,879	9,211,867	12,369,495
Financial liabilities							
Bank overdraft	5,212	-	-	-	-	-	5,212
Loans	13,570	144,755	2,413,754	8,145,387	371,250	-	11,088,716
Lease liabilities	1,004	1,781	8,015	9,265	24,000	-	44,065
Other liabilities	83,440	307,655	438,506	-	-	-	829,601
Total financial liabilities (contractual maturity dates)	103,226	454,191	2,860,275	8,154,652	395,250	-	11,967,594
Net Liquidity Gap	1,337,933	138,569	(2,677,160)	(7,553,937)	(55,371)	9,211,867	401,901
Cumulative Liquidity Gap	1,337,933	1,476,502	(1,200,658)	(8,754,595)	(8,809,966)	401,901	

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33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company						Total
	Within 1	1 to 3	3 to 12	1 to 5	Over 5	No Specific	
	Month	Months	Months	Years	Years	Maturity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December 2020:							
Assets							
Cash and bank balances	62,917	-	-	-	-	-	62,917
Deposits	277,552	129,298	92,649	-	-	-	499,499
Investment securities	315,700	1,737,783	428,978	2,513,723	432,025	5,796,161	11,224,370
Securities purchased under agreements to resell	352,329	354,454	-	-	-	-	706,783
Due from related parties	18,722	46,962	679,973	2,642,084	895,271	124,331	4,407,343
Receivables	8,451	-	6,225	139,050	-	-	153,726
Total financial assets (contractual maturity dates)	1,035,671	2,268,497	1,207,825	5,294,857	1,327,296	5,920,492	17,054,638
Liabilities							
Bank overdraft	11,386	-	-	-	-	-	11,386
Due to related parties	-	-	-	-	-	17,831	17,831
Loans	13,791	176,386	658,252	5,032,737	8,556,599	-	14,437,765
Lease liabilities	790	1,580	7,110	46,137	45,219	-	100,836
Other liabilities	8,452	-	175,485	-	-	-	183,937
Total financial liabilities (contractual maturity dates)	34,419	177,966	840,847	5,078,874	8,601,818	17,831	14,751,755
Net Liquidity Gap	1,001,252	2,090,531	366,978	215,983	(7,274,522)	5,902,661	2,302,883
Cumulative Liquidity Gap	1,001,252	3,091,783	3,458,761	3,674,744	(3,599,778)	2,302,883	

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33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company						Total
	Within 1	1 to 3	3 to 12	1 to 5	Over 5	No Specific	
	Month	Months	Months	Years	Years	Maturity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December 2019:							
Assets							
Cash and bank balances	25,269	-	-	-	-	-	25,269
Deposits	443,713	151,387	-	-	-	-	595,100
Investment securities	6,469	11,876	64,375	919,469	237,797	7,466,225	8,706,211
Securities purchased under agreements to resell	559,989	28,901	-	-	-	-	588,890
Due from related parties	19,022	39,711	194,827	2,073,640	996,058	80,725	3,403,983
Receivables	4,090	-	50,167	139,050	-	-	193,307
Total financial assets (contractual maturity dates)	1,058,552	231,875	309,369	3,132,159	1,233,855	7,546,950	13,512,760
Liabilities							
Bank overdraft	5,212	-	-	-	-	-	5,212
Due to related parties	-	-	-	-	-	3,869	3,869
Lease liabilities	732	1,463	6,584	42,718	58,117	-	109,614
Loans	3,032	123,695	2,320,130	7,642,618	-	-	10,089,475
Other liabilities	4,093	-	511,070	-	-	-	515,163
Total financial liabilities (contractual maturity dates)	13,069	125,158	2,837,784	7,685,336	58,117	3,869	10,723,333
Net Liquidity Gap	1,045,483	106,717	(2,528,415)	(4,553,177)	1,175,738	7,543,081	2,789,427
Cumulative Liquidity Gap	1,045,483	1,152,200	(1,376,215)	(5,929,392)	(4,753,654)	2,789,427	

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33. Financial Risk Management (Continued)

(d) Capital management

The group's objectives when managing capital are to provide superior returns for stockholders and benefits for other stakeholders, while maintaining a conservative capital structure. The Board of Directors monitors the return on equity, which the group defines as net profit attributable to equity holders divided by total stockholders' equity, excluding non-controlling interest. The Board of Directors also monitors and approves the level of dividends to ordinary stockholders.

The group will from time to time purchase its own shares on the market for employee share plan purposes, the timing of which depends on the prevailing market prices.

There were no changes to the group's approach to capital management during the year.

The company and its subsidiaries have no externally imposed capital requirements.

34. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. For financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at statement of financial position dates.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (a) Cash and deposits, receivables, payables and related party balances reflect their approximate fair values due to the short-term nature of these instruments;
- (b) Investment securities classified as fair value through profit or loss and fair value through OCI are measured at fair value by reference to quoted market prices or valuation techniques such as a discounted cash flow model;
- (c) The fair value of variable rate financial instruments is assumed to approximate their carrying amounts;
- (d) The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans; and
- (e) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

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34. Fair Value of Financial Instruments (Continued)

The following financial assets and financial liabilities are not carried at fair value:

	The Group			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial assets at amortised cost	3,646,796	3,573,666	229,835	230,076
Financial Liabilities				
Loan liabilities	13,663,531	13,605,514	9,343,742	9,304,704
Lease liabilities	34,979	36,059	40,504	44,065
The Company				
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial assets at amortised cost	3,985,564	3,920,870	563,777	569,145
Financial Liabilities				
Loan liabilities	13,008,237	12,929,427	8,621,231	8,553,673
Lease liabilities	64,315	100,836	71,639	109,614

The fair value of financial assets and liabilities is within level 2 of the fair value hierarchy. Balances for other financial assets and liabilities carried at amortised cost not disclosed above, approximates their fair value because of their short-term nature.

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34. Fair Value of Financial Instruments (Continued)

The group follows the requirements of IFRS 7 for financial instruments that are carried on the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's financial assets that are measured at fair value at 31 December: See Note 3(v) and 16 for disclosure of investment properties that are measured at fair value.

	The Group			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
As at 31 December 2020				
Financial assets				
Investment securities	<u>4,916,097</u>	<u>2,432,582</u>	<u>1,455,192</u>	<u>8,803,871</u>
As at 31 December 2019				
Financial assets				
Investment securities	<u>6,226,223</u>	<u>2,472,674</u>	<u>1,059,516</u>	<u>9,758,413</u>
	The Company			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
As at 31 December 2020				
Financial assets				
Investment securities	<u>4,280,099</u>	<u>2,273,556</u>	<u>194,420</u>	<u>6,748,075</u>
As at 31 December 2019				
Financial assets				
Investment securities	<u>5,495,420</u>	<u>2,299,405</u>	<u>119,205</u>	<u>7,914,030</u>

There were no transfers between levels during the year.

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34. Fair Value of Financial Instruments (Continued)

The following table shows the changes in Level 3 instruments:

	The Group		The Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of year	1,059,516	1,510,062	119,205	538,065
Additions	195,224	51,285	93,328	27,383
Settlements	(14,874)	(511,281)	(14,874)	(456,777)
Unrealised gains and losses included in the Income statement/OCI	215,326	9,450	(3,239)	10,534
	<u>1,455,192</u>	<u>1,059,516</u>	<u>194,420</u>	<u>119,205</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>215,326</u>	<u>9,450</u>	<u>(3,239)</u>	<u>10,534</u>
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>215,326</u>	<u>9,450</u>	<u>(3,239)</u>	<u>10,534</u>

The quoted market price used for financial assets held by the group is current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as financial assets at fair value through profit or loss.

The fair value of financial instruments that are not quoted on an exchange is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Level 3 investments include investments in closed end real estate funds which are not publicly traded as well as investment in a venture capital fund. To determine the carrying value for these investments management independently computes its share of the fair value of the net assets of the funds, by assessing the results of valuations and considering the fair values of cash and investment holdings as well as any debt obligations these funds may have. For funds holding real estate, they are valued using the direct capitalisation and the discounted cash flow method. These consider the rental rates, rent multipliers, factors for vacancy and a capitalization rate. The capitalization factors and the rent multipliers for these real estate funds as well as the inputs for the valuation of the investments in the venture capital fund are largely unobservable inputs that have the greatest potential for volatility and have resulted in the classification of the investments in level 3. The capitalization rates and rental multipliers used in the real estate funds valuations range from 3% to 7.5% and 16.66 to 33.33 respectively.

Should the vacancy factor increase/decrease by 0.25% (2019 - 0.25%), this would result in an increase/decrease in the carrying value of these respective investments, with all other factors remaining constant, of \$3,700,000/\$3,700,000 for the group only and 2019 - \$3,000,000/\$3,000,000 for the group. Should the capitalization factors increase/decrease by 1% (2019 - 1%) it would result in a decrease/increase in the carrying value of the investments, with all other factors remaining constant, of \$250,000,000/\$343,000,000 (2019 - \$197,000,000/\$147,000,000) for the group only.

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34. Fair Value of Financial Instruments (Continued)

Specific valuation techniques used to value financial instruments include:

- (i) Quoted market prices or dealer quotes for similar instruments
- (ii) Other techniques, such as discounted cash flow analysis used to determine fair value for the remaining financial instruments.

35. Litigation and Contingent Liabilities

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters, when, in the opinion of management, it is probable that a payment will be made by the group, and the amount can be reasonably estimated.

In respect of claims asserted against the group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the group which is immaterial to both financial position and results of operations.

36. Impact of COVID-19

The World Health Organisation declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020.

The pandemic and the measures to control its human impact have resulted in disruptions to global economic activity, business operations and asset prices. This has had, and could continue to have, negative financial effects on the Group, depending on factors such as (i) the duration and spread of the pandemic, (ii) the speed with which effective vaccines can be deployed both in Jamaica and in those countries which are the principal source of visitors to Jamaica, and (iii) the continuing effects on the financial markets and on the Jamaican economy overall; all of which are uncertain and whose impact cannot be estimated reliably.

Certain of the Group's investment securities declined in market value during 2020, and its associated companies which are closely correlated to travel and hospitality have also been adversely affected.

As disclosed in notes 15 and 17, the Group's share of dividends from Sagicor Group Jamaica Limited for 2020 has been converted into interest-bearing promissory notes, in line with a recommendation in 2020 from the Bank of Jamaica to all financial holding companies to suspend dividends to shareholders holding more than 1% of such companies.

In response to the downturn in revenue and profitability arising from the effects of the pandemic on the Group's operations, management took certain measures to contain costs and manage cash flows. These measures included: reduction in salaries for senior management and other overhead expenses, delay of planned capital expenditures and construction at the ROK Hotel & Residences in Downtown Kingston, and the elimination of quarterly dividends in both May and August 2020. Management is of the opinion that the Group retains sufficient cash resources and access to additional financing to ensure that it is able to meet its obligations as and when they fall due.