

PANJAM INVESTMENT LIMITED



Interim Report to the Stockholders

Six months ended 30 June 2017

Interim Report to Stockholders

For the six months ended 30 June 2017

On behalf of the Board of Directors, we are pleased to present the unaudited consolidated financial statements of PanJam Investment Limited for the period ended June 30, 2017.

Highlights

The second quarter's highlights are:

- Net profit attributable to shareholders of \$929 million (2016: \$867 million) for the quarter and \$1,759 million (2016: \$1,589 million) for the six months
- Return (annualized) on opening equity of 14% (2016: 15%)
- Earnings per stock unit of \$0.88 (2016: \$0.83) for the quarter and \$1.67 (2016: \$1.50) for the six months
- Book value per stock unit of \$25.90 at June 30, 2017 (December 31, 2016: \$24.43)
- Ordinary dividends of \$0.40 declared and paid through June 30, 2017 (2016: \$0.30)

Overview

Our net profit for the six-month period ended June 30, 2017 is 11% higher than the comparable period last year, largely resulting from stronger share of results of associated and joint venture companies, led by Sagicor, and improved property results.

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

Income Statement

Net profit attributable to shareholders for the quarter ended June 30, 2017 amounted to \$929 million (2016: \$867 million), an increase of 7%. Earnings per stock unit were \$0.88 (2016: \$0.83). Net profit attributable to shareholders for the six months ended June 30, 2017 amounted to \$1,759 million, compared to \$1,589 million for 2016, an increase of 11%, equivalent to basic earnings per stock unit of \$1.67 compared to \$1.50 for 2016.

Performance for the quarter was influenced positively by increases of \$175 million in our share of results of associated and joint venture companies and \$66 million in property income, which offset declines of \$95 million in investment income and \$24 million in other income. Performance for the year to date was influenced positively by increases of \$399 million in our share of results of associated and joint venture companies and \$123 million in property income, which offset declines of \$34 million in investment income and \$19 million in other income. Prior year results also included a one-time gain of \$185 million from the divestment of our stake in Hardware & Lumber Limited.

Group operating profit declined for the quarter and year to date by \$105 million and \$24 million respectively compared to 2016. The aforementioned improvement in property income was more than offset by lower investment and other income, as well as increases in operating expenses of \$52 million for the quarter and \$91 million for the year to date.

PanJam Investment Limited

Property income improved during 2017 due to increases to rental income, net lease income and property revaluation gains. Investment income declined due to a shift from foreign exchange gains in 2016 to losses in the current year as well as lower unrealised gains, partially offset by improved realized gains and the absence of impairment charges during 2017. Other income is lower as 2016 included one-time fee income related to Kingchurch, our investment in the redevelopment of the former Oceana building. Operating expenses have increased due mainly to higher electricity rates and earlier accrual of certain staff-related expenses.

Associated and joint venture companies

The results of associated companies consisted principally of our 32% investment in Sagicor. We also hold minority positions in New Castle Company Limited (owners of the Walkerswood and Busha Browne lines of sauces and seasonings), Caribe Hospitality of Jamaica Limited (owners of the New Kingston Courtyard Marriott Hotel) and Chukka Caribbean Adventures (“Chukka”).

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

Our share of results of associated and joint venture companies increased for the quarter by \$175 million to \$1,033 million (2016: \$858 million) and for the six-month period by \$399 million to \$1,851 million (2016: \$1,452 million). Our share of earnings from Sagicor for the period increased by \$425 million (32%) to \$1,766 million. Sagicor’s half year results reflect strong performances in its insurance and annuities businesses. Newcastle, Chukka and Caribe performed satisfactorily during the period.

Balance Sheet

Total assets at June 30, 2017 amounted to \$36.1 billion, compared to \$32.4 billion at December 31, 2016. Stockholders’ equity increased to \$27.2 billion (December 31, 2016: \$25.7 billion), which equates to a book value per stock unit of \$25.90 (December 31, 2016: \$24.43).

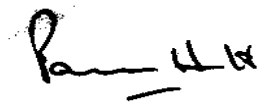
Outlook

Underlying the continued improvement of our local stock market are corporate profits, which have generally shown consistent real improvement in recent years. This is tangible evidence of the positive shift in the economic landscape of Jamaica.

We are heartened by this and continue to seek additional opportunities to invest in Jamaica. It is our belief that the upward trend will continue, so long as our government maintains its commitment to meeting quantitative and structural targets while focusing even harder on solutions to the crime issue and the removal of inefficiency in our public institutions.



Stephen B. Facey
Chairman & Chief Executive Officer



Paul R. Hanworth
Director & Chief Operating Officer

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Income Statement
Six months ended 30 June 2017

	3 Months to Jun-17 \$'000	Restated 3 Months to Jun-16 \$'000	YTD Jun-17 \$'000	Restated YTD Jun-16 \$'000
Income				
Investments	18,930	114,192	129,918	163,773
Property	375,584	310,391	730,075	606,597
Commissions	12,632	11,256	24,616	27,119
Other	39,666	63,595	63,759	83,198
	446,812	499,434	948,368	880,687
Operating expenses	(362,707)	(310,517)	(696,320)	(604,670)
Operating profit	84,105	188,917	252,048	276,017
Finance costs	(150,261)	(132,165)	(279,375)	(262,246)
	(66,156)	56,752	(27,327)	13,771
Gain on disposal of associated company	-	-	-	185,453
Share of results of associated companies and joint venture	1,033,054	857,982	1,850,713	1,452,151
Profit before taxation	966,898	914,734	1,823,386	1,651,375
Taxation	(25,324)	(15,247)	(39,741)	(32,447)
Net profit	941,574	899,487	1,783,645	1,618,928
Net profit attributable to:				
Owners of the parent	928,910	867,458	1,759,108	1,588,907
Non-controlling interest	12,664	32,029	24,537	30,021
	941,574	899,487	1,783,645	1,618,928
Earnings per stock unit attributable to owners of the parent for the period	\$0.88	\$0.83	\$1.67	\$1.50

PanJam Investment Limited
and its subsidiaries
Unaudited Consolidated Statement of Comprehensive Income
Six months ended 30 June 2017

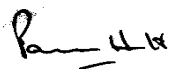
		Restated		Restated
	3 Months to Jun-17 \$'000	3 Months to Jun-16 \$'000	YTD Jun-17 \$'000	YTD Jun-16 \$'000
Net profit for the period	941,574	899,487	1,783,645	1,618,928
Other comprehensive income:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Unrealised gains on available-for-sale financial assets, net of tax	3,154	21,020	44,050	57,683
(Gains)/losses recycled to profit and loss on disposal and maturity of investment assets	-	(1,040)	7,245	(1,194)
	3,154	19,980	51,295	56,489
Exchange differences on translating foreign operations	1,827	2,981	802	2,963
Realised gains on disposal of associated company	-	-		(117,188)
Share of other comprehensive income of associates	86,866	1,052,401	228,090	1,203,500
Other comprehensive income for the period, net of tax	91,847	1,075,362	280,187	1,145,764
Total comprehensive income for the period	1,033,421	1,974,849	2,063,832	2,764,692
Total comprehensive income attributable to				
Owners of the parent	1,020,757	1,942,810	2,039,295	2,734,653
Non-controlling interest	12,664	32,039	24,537	30,039
	1,033,421	1,974,849	2,063,832	2,764,692

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Financial Position
as at 30 June 2017

	Unaudited June 2017 \$'000	Audited December 2016 \$'000	Restated Unaudited June 2016 \$'000
ASSETS			
Cash and Bank Balances	49,756	56,597	433,164
Investments			
Deposits	935,644	499,303	310,634
Securities			
Financial assets at fair value through profit and loss	532,214	662,944	594,826
Available-for-sale	2,169,813	2,542,684	1,443,814
Held-to-maturity	82,647	32,237	31,808
Loans & receivables	95,154	109,087	346,178
Securities purchased under agreements to resell	2,390,491	206,198	903,416
Investment properties	5,756,730	5,583,427	5,426,952
Investment in joint venture	-	-	117,713
Investment in associated companies	21,998,334	20,874,843	19,387,007
	<u>33,961,027</u>	<u>30,510,723</u>	<u>28,562,348</u>
Other assets			
Taxation recoverable	30,940	28,350	40,302
Deferred tax assets	3,422	1,470	7,596
Development in progress projects	720,557	718,292	714,649
Receivables and other assets	746,115	396,705	616,081
Property, plant and equipment	614,802	688,252	590,286
Intangibles	30,218	40,291	50,364
	<u>2,146,054</u>	<u>1,873,360</u>	<u>2,019,278</u>
	<u>36,156,837</u>	<u>32,440,680</u>	<u>31,014,790</u>
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital and Reserves Attributable to the Company's Equity holders			
Share capital	2,141,985	2,141,985	2,141,985
Equity compensation reserve	44,876	46,054	31,235
Property revaluation reserve	3,554,743	3,477,645	3,334,462
Investment and other reserves	2,995,278	2,780,185	2,899,804
Retained earnings	18,790,045	17,528,506	15,808,934
Treasury stock	(314,251)	(304,904)	(202,929)
	<u>27,212,676</u>	<u>25,669,471</u>	<u>24,013,491</u>
Non-controlling interest	237,299	587,762	366,967
	<u>27,449,975</u>	<u>26,257,233</u>	<u>24,380,458</u>
Liabilities			
Bank overdraft	4,964	4,655	3,716
Taxation payable	10,362	-	-
Bank and other loans	7,826,764	5,182,065	5,817,052
Finance lease liability	9,364	11,756	16,447
Deferred tax liability	135,312	140,087	61,936
Retirement benefit liabilities	239,262	208,330	207,621
Payables and other liabilities	480,834	636,554	527,560
Total liabilities	<u>8,706,862</u>	<u>6,183,447</u>	<u>6,634,332</u>
	<u>36,156,837</u>	<u>32,440,680</u>	<u>31,014,790</u>



Stephen B. Facey
Director



Paul R. Hanworth
Director

PANJAM INVESTMENT LIMITED
Unaudited Consolidated Statement of Changes in Equity
for the period ended 30 June 2017

Restated
30-Jun-16

	\-----Owners Of The Parent-----/							
	Share Capital \$'000	Equity Compensation reserve \$'000	Property Revaluation Reserves \$'000	Investment and other reserves \$'000	Retained Earnings \$'000	Treasury Shares \$'000	Non-controlling Interests \$'000	Total \$'000
Balance at 1 January 2016	2,141,985	38,181	3,327,600	1,879,882	14,541,916	(166,446)	336,928	22,100,046
Comprehensive income								
Net profit	-	-	-	-	1,588,907	-	30,021	1,618,928
Other comprehensive income	-	-	-	1,145,746	-	-	18	1,145,764
Total comprehensive income for the period				1,145,746	1,588,907		30,039	2,764,692
Transactions with owners								
Dividends paid	-	-	-	-	(315,027)	-	-	(315,027)
Employee share option scheme value of services provided	-	14,820	-	-	-	-	-	14,820
Employee share grants/options issued	-	(21,766)	-	11,140	-	37,130	-	26,504
Acquisition of treasury stocks	-	-	-	-	-	(73,613)	-	(73,613)
Change in reserves of associated company	-	-	-	(136,964)	-	-	-	(136,964)
Property revaluation gains	-	-	6,862	-	(6,862)	-	-	-
Balance at 30 June 2016	2,141,985	31,235	3,334,462	2,899,804	15,808,934	(202,929)	366,967	24,380,458

30-Jun-17

	\-----Owners Of The Parent-----/							
	Share Capital \$'000	Equity Compensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and other reserves \$'000	Retained Earnings \$'000	Treasury Shares \$'000	Non-controlling Interests \$'000	Total \$'000
Balance at 1 January 2017	2,141,985	46,054	3,477,645	2,780,185	17,528,506	(304,904)	587,762	26,257,233
Comprehensive income								
Net profit	-	-	-	-	1,759,108	-	24,537	1,783,645
Other comprehensive income	-	-	-	280,187	-	-	-	280,187
Total comprehensive income for the period	-	-	-	280,187	1,759,108	-	24,537	2,063,832
Dividends paid to non-controlling interest	-	-	-	-	-	-	(375,000)	(375,000)
Transactions with owners								
Dividends paid	-	-	-	-	(420,471)	-	-	(420,471)
Employee share option scheme value of services provided	-	16,600	-	-	-	-	-	16,600
Employee share grants/options issued	-	(17,778)	-	7,636	-	19,973	-	9,831
Acquisition of treasury stocks	-	-	-	-	-	(29,320)	-	(29,320)
Change in reserves of associated company	-	-	-	(72,730)	-	-	-	(72,730)
Property revaluation gains	-	-	77,098	-	(77,098)	-	-	-
Balance at 30 June 2017	2,141,985	44,876	3,554,743	2,995,278	18,790,045	(314,251)	237,299	27,449,975

PANJAM INVESTMENT LIMITED
and its subsidiaries
Unaudited Consolidated Statement of Cash Flows
Six months ended 30 June 2017

	6-Months to June 2017 \$'000	Restated 6-Months to June 2016 \$'000
Net profit	1,783,645	1,618,928
Items not affecting cash		
Share of results of associated and joint venture companies	(1,850,713)	(1,452,151)
Fair value gains on investment properties	(82,096)	(11,436)
Foreign currency losses/(gains)	2,410	(60,218)
Gain on disposal of associated company	-	(185,453)
Other	313,410	244,713
	<u>166,656</u>	<u>154,383</u>
Changes in operating assets and liabilities		
Other assets	(349,409)	(118,425)
Other liabilities	54,399	131,868
	<u>(128,354)</u>	<u>167,826</u>
Interest received	50,678	65,657
Income tax paid	(42,610)	(63,889)
Net cash (used in)/provided by operations	<u>(120,286)</u>	<u>169,594</u>
Cash flows from investing activities		
Disposal/(acquisition) of investment securities, net	543,621	(143,613)
Investment in associated company	-	(195,004)
Proceeds from disposal of investment in associated company	-	310,490
Other investment activities	(10,644)	10,039
Acquisition of property, plant and equipment	(23,072)	(227,962)
Dividends received from associated company	882,584	833,031
Net cash provided by investing activities	<u>1,392,489</u>	<u>586,981</u>
Cash flows from financing activities		
Dividends paid to equity holders	(630,590)	(315,027)
Dividends paid to non-controlling interest	(375,000)	-
Acquisition of treasury stock, net	(9,347)	(36,483)
Loan received	2,986,139	619,857
Loans repaid	(363,041)	(144,149)
Interest paid	(264,684)	(284,427)
Other financing activities	(2,392)	5,001
Net cash provided by/(used in) financing activities	<u>1,341,085</u>	<u>(155,228)</u>
Net increase in cash and cash equivalents	2,613,288	601,347
Cash & cash equivalents at beginning of the period	686,846	972,867
Cash & cash equivalents at end of the period	<u>3,300,134</u>	<u>1,574,214</u>
Comprising of:		
Cash at bank and in hand	49,756	433,164
Short term deposits	864,851	241,350
Securities purchased under agreement to resell	2,390,491	903,416
Overdraft	(4,964)	(3,716)
	<u>3,300,134</u>	<u>1,574,214</u>

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

June 30, 2017

	Property Management & Rental \$'000	Investments \$'000	Other Services \$'000	Eliminations \$'000	Total \$'000
REVENUE					
External	765,069	114,138	69,161	-	948,368
Inter-segment	1,037	74,379	1,731	(77,147)	-
Total revenue	766,106	188,517	70,892	(77,147)	948,368
Segment results	227,768	(32,284)	56,564	-	252,048
Interest expense	(74,355)	(255,288)	-	50,268	(279,375)
	153,413	(287,572)	56,564	50,268	(27,327)
Share of results of associated companies	-	1,850,713	-	-	1,850,713
Profit before taxation	153,413	1,563,141	56,564	50,268	1,823,386
Taxation	(16,354)	(14,632)	(8,755)	-	(39,741)
Net profit	137,059	1,548,509	47,809	50,268	1,783,645
Segment assets	7,915,956	6,700,440	323,198	(781,091)	14,158,503
Investment in associated companies	-	21,998,334	-	-	21,998,334
Total assets	7,915,956	28,698,774	323,198	(781,091)	36,156,837
Segment liabilities	1,930,838	7,353,468	203,647	(781,091)	8,706,862

June 30, 2016

	Property Management & Rental \$'000	Investments \$'000	Other Service \$'000	Eliminations \$'000	Total \$'000
REVENUE					
External	635,660	199,662	45,365	-	880,687
Inter-segment	3,879	131,880	808	(136,567)	-
Total revenue	639,539	331,542	46,173	(136,567)	880,687
Segment results	147,939	93,216	34,862	-	276,017
Interest expense	(64,221)	(256,791)	-	58,766	(262,246)
	83,718	(163,575)	34,862	58,766	13,771
Gain on disposal of associated company	-	185,453	-	-	185,453
Share of results of associated and joint venture companies	-	1,418,954	33,197	-	1,452,151
Profit before taxation	83,718	1,440,832	68,059	58,766	1,651,375
Taxation	(24,860)	(2,942)	(4,645)	-	(32,447)
Net profit	58,858	1,437,890	63,414	58,766	1,618,928
Segment assets	7,622,556	4,032,878	522,165	(667,529)	11,510,070
Investment in associated and joint venture companies	-	19,387,007	117,713	-	19,504,720
Total assets	7,622,556	23,419,885	639,878	(667,529)	31,014,790
Segment liabilities	1,805,556	5,217,783	278,522	(667,529)	6,634,332

PANJAM INVESTMENT LIMITED

Notes to the Unaudited Consolidated Interim Financial Statements

30 June 2017

1. Basis of preparation

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

2. Basis for prior year restatement

The 2016 financial statements were restated to account for the group's 50% shareholding in Kingchurch, a company that develops and manages property, from a joint venture to a joint operation. The change reflects the original intent of the partners in the joint arrangement. The restated financial statements reflects the group's right to the assets and obligation for the liabilities of Kingchurch rather than equity accounting of its share of the net assets.