

**Pan-Jamaican Investment
Trust Limited**

**Financial Statements
31 December 2007**

Pan-Jamaican Investment Trust Limited

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31 December 2007

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Independent Auditors' Report

To the Members of
Pan-Jamaican Investment Trust Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Pan-Jamaican Investment Trust Limited and its subsidiaries, and the accompanying financial statements of Pan-Jamaican Investment Trust Limited standing alone, set out on pages 1 to 79, which comprise the consolidated and company balance sheet as of 31 December 2007 and the consolidated and company statement of operations, statement of changes in stockholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2007 and of the financial performance and cash flows of the group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

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 financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

Chartered Accountants

3 March 2008
Kingston, Jamaica

Pan-Jamaican Investment Trust Limited

Consolidated Statement of Operations

Year ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Income			
Investments	5	281,204	268,408
Property	6	961,288	800,948
Premium Income		20,713	15,047
Other	6	111,321	57,703
		1,374,526	1,142,106
Operating expenses	7	(582,504)	(520,528)
Operating Profit		792,022	621,578
Interest expense		(30,581)	(35,416)
Gain on dilution of shareholding in associated company	8	10,886	15,452
Share of results of associated companies		739,304	647,817
Profit before Taxation		1,511,631	1,249,431
Taxation	10	(127,838)	(114,057)
NET PROFIT		<u>1,383,793</u>	<u>1,135,374</u>
Attributable to:			
Equity holders of the company		996,446	822,050
Minority interest		387,347	313,324
		<u>1,383,793</u>	<u>1,135,374</u>
Earnings per stock unit attributable to equity holders of the company during year			
	11		
Basic		5.82	4.80
Fully diluted		5.71	4.72

Pan-Jamaican Investment Trust Limited

Consolidated Balance Sheet

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
ASSETS			
Cash and Bank Balances	12	102,850	116,654
Investments			
Deposits	12	161,610	45,004
Securities:			
Financial assets at fair value through profit and loss	13	130,293	72,103
Available-for sale	13	1,404,882	2,022,035
Loans and receivables	13	13,924	38,843
Securities purchased under agreements to resell	14	383,325	411,618
Investment properties	15	2,914,400	2,527,451
Investment in associated companies	16	4,953,389	4,694,054
		9,961,823	9,811,108
Taxation recoverable		98,745	142,632
Deferred tax assets	17	8,796	1,160
Other assets	18	270,327	315,098
Property, plant and equipment	19	108,292	91,771
Retirement benefit assets	20	41,782	50,504
		<u>10,592,615</u>	<u>10,528,927</u>

Pan-Jamaican Investment Trust Limited

Consolidated Balance Sheet (Continued)

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital and Reserves Attributable to the Company's Equity Holders			
Share capital	25	185,354	185,354
Equity compensation reserve	26	21,384	2,455
Property revaluation reserve	27	1,527,859	-
Investment and other reserves	28	2,521,443	2,626,572
Retained earnings		2,859,718	4,195,120
Treasury stock		(18,486)	(18,486)
		7,097,272	6,991,015
Minority Interest		2,514,163	2,463,379
		<u>9,611,435</u>	<u>9,454,394</u>
Liabilities			
Bank overdrafts	12	17,738	6,010
Taxation payable		119,678	11,082
Deferred tax liabilities	17	128,978	147,824
Retirement benefit liabilities	20	57,048	53,539
Due to related parties	21	10,318	40,344
Other liabilities	22	248,839	237,583
Loan liabilities	23	393,570	571,263
Finance lease liability	24	5,011	6,888
		<u>10,592,615</u>	<u>10,528,927</u>

Approved for issue by the Board of Directors on 3 March 2008 and signed on its behalf by:

Maurice W. Facey

Director

Roy Collister

Director

Pan-Jamaican Investment Trust Limited

Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Attributable to Company's Equity Holders						Minority Interest	Total
		Share Capital	Equity Compensation Reserve	Property Revaluation Reserve	Investment and Other Reserves	Retained Earnings	Treasury Stock		
		\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2007		185,354	2,455	-	2,626,572	4,195,120	(18,486)	2,463,379	9,454,394
Fair value gains on available-for-sale securities		-	-	-	82,097	-	-	28,457	110,554
Realised fair value gains transferred to Consolidated Statement of Operations		-	-	-	(42,179)	-	-	(15,636)	(57,815)
Net gains recognised directly in equity		-	-	-	39,918	-	-	12,821	52,739
Net profit for the year		-	-	-	-	996,446	-	387,347	1,383,793
Total recognised income for 2007		-	-	-	39,918	996,446	-	400,168	1,436,532
Dividends paid	29	-	-	-	-	(796,047)	-	-	(796,047)
Dividends paid to minority shareholders		-	-	-	-	-	-	(292,668)	(292,668)
Share option expense		-	18,929	-	-	-	-	-	18,929
Movement in other reserves		-	-	-	(152,989)	-	-	(56,716)	(209,705)
Transfer from retained earnings	27	-	-	1,527,859	7,942	(1,535,801)	-	-	-
			18,929	1,527,859	(145,047)	(2,331,848)	-	(349,384)	(1,279,491)
Balance at 31 December 2007		185,354	21,384	1,527,859	2,521,443	2,859,718	(18,486)	2,514,163	9,611,435

Pan-Jamaican Investment Trust Limited

Consolidated Statement of Changes in Stockholders' Equity (Continued)

Year ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

Note	Attributable to Company's Equity Holders						Total \$'000	
	Share Capital \$'000	Compensation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Treasury Stock \$'000	Minority Interest \$'000		
Balance at 1 January 2006	185,354	-	2,239,977	3,695,940	(18,486)	2,135,302	8,238,087	
Fair value gains on available-for-sale securities	-	-	46,915	-	-	9,743	56,658	
Realised fair value gains transferred to Consolidated Statement of Operations	-	-	(18,787)	-	-	(5,916)	(24,703)	
Net gains recognised directly in equity	-	-	28,128	-	-	3,827	31,955	
Net profit for the year	-	-	-	822,050	-	313,324	1,135,374	
Total recognised income for 2006	-	-	28,128	822,050	-	317,151	1,167,329	
Dividends paid	29	-	-	(163,260)	-	-	(163,260)	
Dividends paid to minority shareholders	-	-	-	-	-	(62,795)	(62,795)	
Share option expense	-	2,455	-	-	-	-	2,455	
Movement in other reserves	-	-	198,857	-	-	73,721	272,578	
Transfer from retained earnings	28	-	159,610	(159,610)	-	-	-	
		-	2,455	358,467	(322,870)	-	10,926	48,978
Balance at 31 December 2006		185,354	2,455	2,626,572	4,195,120	(18,486)	2,463,379	9,454,394

Pan-Jamaican Investment Trust Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Cash Flows from Operating Activities	30	<u>482,922</u>	<u>96,021</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		(33,069)	(25,654)
Acquisition of investment properties		(55,414)	(7,127)
Proceeds from disposal of property, plant and equipment		1,092	35
Dividends from associates		281,162	248,197
Acquisition of investment securities, net		<u>623,079</u>	<u>(358,227)</u>
Net cash provided by/(used in) investing activities		<u>816,850</u>	<u>(142,776)</u>
Cash Flows from Financing Activities			
Due from related parties		(30,038)	(42,615)
Loans received		135,000	279,476
Loans repaid		(327,036)	(283,866)
Dividends paid to minority interest		(292,668)	(62,795)
Dividends paid to company stockholders		<u>(796,047)</u>	<u>(163,260)</u>
Net cash used in financing activities		<u>(1,310,789)</u>	<u>(273,060)</u>
Net decrease in cash and cash equivalents		(11,017)	(319,815)
Effect of exchange rate changes on cash and cash equivalents		12,031	1,559
Cash and cash equivalents at beginning of year		<u>567,266</u>	<u>885,522</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	<u><u>568,280</u></u>	<u><u>567,266</u></u>

Pan-Jamaican Investment Trust Limited

Company Statement of Operations

Year ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Income			
Investments	5	841,235	209,536
Management fees	6	17,280	15,720
Other		11,573	14,140
		<u>870,088</u>	<u>239,396</u>
Expenses			
Operating expenses	7	99,065	77,406
Interest expense		3,417	11,363
		<u>102,482</u>	<u>88,769</u>
Profit before Taxation		767,606	150,627
Taxation	10	7,874	(3,241)
Net Profit		<u><u>775,480</u></u>	<u><u>147,386</u></u>

Pan-Jamaican Investment Trust Limited

Company Balance Sheet

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
ASSETS			
Cash and Bank Balances	12	81,290	114
Investments			
Short term deposits		12,004	4,497
Available-for-sale securities	13	245,507	270,997
Loans and receivables	13	3,995	3,757
Investment in subsidiaries	16	67,671	67,671
Investment in associated companies	16	22,296	22,296
		351,473	369,218
Due from related parties	21	215,495	220,888
Taxation recoverable		9,199	8,856
Deferred tax assets	17	7,059	-
Other assets	18	4,580	-
Property, plant and equipment	19	5,479	7,949
Retirement benefit assets	20	2,467	4,277
		<u>677,042</u>	<u>611,302</u>

Pan-Jamaican Investment Trust Limited

Company Balance Sheet (Continued)

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	25	185,354	185,354
Equity compensation reserve	26	21,384	2,455
Investment and other reserves	28	193,722	191,886
Retained earnings		134,124	165,582
		<u>534,584</u>	<u>545,277</u>
Liabilities			
Bank overdraft	12	-	2,934
Taxation payable		267	267
Due to related parties	21	80,652	1,714
Other liabilities	22	37,189	13,384
Deferred tax liabilities	17	-	815
Retirement benefit liabilities	20	18,339	17,672
Loan liabilities	23	1,000	22,351
Finance lease liability	24	5,011	6,888
		<u>677,042</u>	<u>611,302</u>

Approved for issue by the Board of Directors on 3 March 2008 and signed on its behalf by:

Maurice W. Facey

Director

Roy Collister

Director

Pan-Jamaican Investment Trust Limited

Company Statement of Changes in Stockholders' Equity

Year ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Equity Compensation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2006	185,354	-	183,801	183,061	552,216
Fair value gains on available-for-sale securities	-	-	10,915	-	10,915
Realised fair value gains transferred to consolidated statement of operations	-	-	(2,830)	-	(2,830)
Equity based compensation	-	2,455	-	-	2,455
Net profit	-	-	-	147,386	147,386
Total recognised income for 2006	-	2,455	8,085	147,386	157,926
Dividends paid	-	-	-	(164,865)	(164,865)
Balance at 31 December 2006	185,354	2,455	191,886	165,582	545,277
Fair value gains on available-for-sale securities	-	-	1,836	-	1,836
Equity based compensation	-	18,929	-	-	18,929
Net profit	-	-	-	775,480	775,480
Total recognised income for 2007	-	18,929	1,836	775,480	796,245
Dividends paid	-	-	-	(806,938)	(806,938)
	-	-	-	(806,938)	(806,938)
Balance at 31 December 2007	185,354	21,384	193,722	134,124	534,584

Pan-Jamaican Investment Trust Limited

Company Statement of Cash Flows

Year ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2007 \$'000	2006 \$'000
Cash Flows from Operating Activities	29	<u>799,768</u>	<u>137,694</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment		-	(539)
Proceeds from disposal of property, plant and equipment		-	36
Investment securities, net		<u>37,684</u>	<u>37,268</u>
Net provided by investing activities		<u>37,684</u>	<u>36,765</u>
Cash Flows from Financing Activities			
Due from/(to) related parties		84,331	(19,905)
Loans repaid		(23,228)	(262,886)
Dividends paid		<u>(806,938)</u>	<u>(164,865)</u>
Net cash used in financing activities		<u>(745,835)</u>	<u>(447,656)</u>
Net increase/(decrease) in cash and cash equivalents		91,617	(273,197)
Cash and cash equivalents at beginning of year		<u>1,677</u>	<u>274,874</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	<u><u>93,294</u></u>	<u><u>1,677</u></u>

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

- (a) Pan-Jamaican Investment Trust Limited, (“the company”) is incorporated and domiciled in Jamaica. The company is listed on the Jamaica Stock Exchange
- (b) The main activity of the company is the direction and control of the operations of its subsidiaries and associated companies. The company’s income consists mainly of dividends, interest income and management fees earned from its subsidiaries and associated companies. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.
- (c) The company’s subsidiaries and associated companies, 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
First Jamaica Investments Limited	Investment Management	73%	
Jamaica Property Company Limited	Office Rental		100%
Jamaica Property Development Limited	Property Management		100%
Jamaica Property Management Limited	Property Management		100%
Portfolio Partners Limited	Investment Management		100%
Jamaican Floral Exports Limited	Horticulture	80%	
Jamaican Heart Limited	Horticulture		100%
Pan-Jamaican Mortgage Society Limited	Financial Services	100%	
Scotts Preserves Limited	Distribution	100%	
Busha Browne's Company Limited	Distribution		100%
Busha Browne's Company Limited (Incorporated in the Bahamas)	Dormant	100%	
Scotts of Jamaica Limited	Dormant		100%
St Andrew Developers Limited	Property Development		66 2/3%
Knutsford Holdings Limited	Office Rental		60%
Panacea Insurance Company Limited (Incorporated in St. Lucia)	Captive Insurance	100%	
Associated Companies			
Hardware & Lumber Limited	Trading	20.83%	
Life of Jamaica Limited	Insurance and Pension Management		24.53%
Impan Properties Limited	Office Rental		20%

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

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

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated 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 have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities 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 judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

Amendments to published standards and interpretations effective 1 January 2007 that are relevant to the Group's operations

- **IFRS 7, Financial instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures** (effective 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32.
- **IFRIC 8, Scope of IFRS 2** (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issues – to establish whether or not they fall within the scope of IFRS 2.
- **IFRIC 10 – Interim Financial Reporting and Impairment**, prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the group's financial statements.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

The group has concluded that the following interpretations to existing standards, which are published and effective, are not relevant to the group's operations:

- **IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies**
- **IFRIC 9 – Reassessment of Embedded Derivatives**

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at balance sheet date, and which the group has not early adopted. The group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IAS 23 (Amendment) – Borrowing Costs** (effective for annual periods beginning on or after 1 January 2009). It requires the entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amendment) from 1 January 2009 but is currently not applicable to the group as there are no qualifying assets.
- **IFRS 8 – Operating Segments** (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a 'management approach', under which segment information is presented on the basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009. Management has assessed the standard and concluded that the number of reportable segments, as well as the manner in which the segments are reported, will not change.
- **IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction** (effective for annual periods on or after 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the group's accounts.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

The group has concluded that the following interpretations to existing standards, which are published but not yet effective, are not relevant to the group's operations:

- **IFRIC 11, IFRS 2 – Group and Treasury Share Transactions** (effective for annual periods beginning on or after 1 March 2007)
- **IFRIC 12 – Service Concession Arrangements** (effective for annual periods beginning on or after 1 January 2008)
- **IFRIC 13 – Customer Loyalty Programmes** (effective for annual periods beginning on or after 1 July 2008)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of operations.

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

In the company's unconsolidated balance sheet, investments in subsidiaries are shown at cost.

(ii) Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the statement of operations. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

(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 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 statement of operations, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals 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 unconsolidated balance sheet, investments in associates are shown at cost.

Dilution gains and losses in associates are recognised in the statement of operations.

(c) Income recognition

(i) Interest income and expenses

Interest income is recognised in the statement of operations 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. When loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(ii) Premium income

Premiums are recognised as revenue when due from policyholders and are stated net of reinsurance premiums.

(iii) Property income

Revenue comprises the invoiced value of rental and maintenance charges, net of General Consumption Tax, and changes in fair values of investment properties.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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(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 the group and the company's functional and presentation 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 statement of operations.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of operations as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the investment and other reserves in stockholders' equity.

(e) Taxation

Taxation expense in the statement of operations comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the statement of operations except, where they relate to items recorded in stockholders' equity, they are also charged or credited to stockholders' equity. Taxation is based on profit for the year adjusted for taxation purposes at 33 $\frac{1}{3}$ %.

(i) Current taxation

Current tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the balance sheet 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.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Taxation (continued)

(ii) Deferred income taxes (continued)

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 enacted rates.

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 the proceeds of sale, which is not subject to tax.

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 investment securities, loans and receivables, cash and bank balances, other assets and securities purchased under agreements to resell. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial liabilities

The group's financial liabilities comprise trade and interest payables, bank and short term loans, long term loans 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 33.

(g) Cash and cash equivalents

Cash and cash equivalents are carried on the balance sheet at cost. For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise investment securities with less than 90 days maturity from the date of acquisition including cash balances, deposits held on call with banks and bank overdrafts.

Pan-Jamaican Investment Trust Limited

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2. Significant Accounting Policies (Continued)

(h) Investments

(i) Investment securities

The group classifies its investment securities as fair value through profit and loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Purchases and sales of investments are recognised on settlement date – the date on which an asset is delivered to or by the group. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in statement of operations, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of operations as other income. Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of operations. Dividends on available-for-sale equity instruments are recognised in the statement of operations when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of operations – is removed from equity and recognised in the statement of operations. Impairment losses recognised in the statement of operations on equity instruments are not reversed through the statement of operations.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(h) Investments (continued)

(ii) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(iii) Loans and allowances for impairment losses

Loans are carried at amortised cost.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and subsequently measured at amortised cost using the effective interest rate method.

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. IFRS require the increase in the present value of impaired loans due to the passage of time to be reported as interest income.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to the statement of operations.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

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2. Significant Accounting Policies (Continued)

(h) Investments (continued)

(iv) Securities purchased under agreements to resell

Securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the purchase and resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(v) 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 open market value determined annually by independent qualified valuers. Changes in fair values are recorded in the statement of operations.

(i) Leases

As lessee

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the statement of operations over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

(j) 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of operations 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, as follows:

Freehold premises	2½%
Leasehold improvements	over the period of the lease
Furniture, fixtures & fittings	10% & 12½%
Equipment	10%
Computer hardware & software	20%
Leased assets	Life of lease
Motor vehicles	14% - 20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Pan-Jamaican Investment Trust Limited

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31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(j) Property, plant and equipment (continued)

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 statement of operations.

(k) Inventories

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

(l) 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 liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. 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 corporate 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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2. Significant Accounting Policies (Continued)

(I) Employee benefits (continued)

(ii) Other post-employment benefits

Some group companies provide post-retirement 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 in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. 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 balance sheet 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 the options is recognised as an expense. The total amount expensed over the vesting period is determined by reference to the fair value of the options 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 that are expected to become exercisable. At each balance sheet date, the group reviews its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of operations, 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.

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 statement of operations for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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.

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2. Significant Accounting Policies (Continued)

(l) Employee benefits (continued)

(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 balance sheet date are discounted to present value.

(m) Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Intangible assets

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 balance sheet date the group assesses whether there is any indication of impairment. If such indications exist, an 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.

(o) Investment reserve

Unrealised gains and losses on investments classified as available-for-sale are taken to stockholders' equity.

Pan-Jamaican Investment Trust Limited

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2. Significant Accounting Policies (Continued)

(p) Insurance and investments contracts

(i) Classification

The group issues contracts that transfer insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of insured events that are at least 10% more than the premiums received.

Property insurance contracts provide coverage to the insured entities for damage suffered to their properties or for the value of property lost. Casualty insurance contracts provide coverage to the insured entities for the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events for insured entities who become legally liable to pay compensation to injured employees (employers' liability) and/or who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

(ii) Recognition and measurement

Insurance contracts issued by the group are summarised below:

- Commercial all risk
- Public liability
- Computer all risk
- Good in transit
- Fidelity guarantee
- Employers' liability
- Loss on money
- Homeowners
- Fire and minor perils
- Fire and hurricane
- Hull and machinery
- Machinery break down

Notwithstanding the limits set out in the respective policies for the above lines of coverage, each of the policies contains a clause (the 'catch all clause') which limits the overall loss of the policies to the lower of either the stated policy limits or the reinsurance recoveries plus free surplus of the company at the date of settlement of the respective claims. All policies are written on a claims made basis.

Pan-Jamaican Investment Trust Limited

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2. Significant Accounting Policies (Continued)

(p) Insurance and investments contracts (continued)

(iii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

The benefits to which the group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well longer term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of operations. The group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Actuarial liabilities arising from reinsurance are included as an insurance contract liability.

(iv) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the statement of operations. The group gathers the objective evidence that the insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(u) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

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) Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(m).

(ii) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgment 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.

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(expressed in Jamaican dollars unless otherwise indicated)

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

(iii) 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 judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The group uses discounted cash flow analysis for various available-for-sale financial assets that were not traded in active markets.

(iv) Pension plan assets and post employment obligations

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net periodic cost or income for pension and post-retirement 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-retirement 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 discount 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-retirement benefit obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate 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 respective economies. Past experience has shown that the actual medical costs have increased on average by one times the rate of inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

(v) Investment properties

Investment properties are carried in the balance sheet at market value. The group uses independent qualified property appraisers to value its investment properties annually, generally using the income approach. This approach takes into consideration various assumptions and factors including; the level of current and future occupancy, the rate of annual rent increases, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures. Reference is also made to recent comparable sales. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

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4. Segmental Financial Information

The group is organised into two main business segments:

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

	2007				
	Investment Management Services \$'000	Property Management Services \$'000	Other \$'000	Eliminations \$'000	Group \$'000
External operating revenue	297,431	1,039,208	38,843		1,375,482
Operating revenue from other segments	-	5,195	-	(5,195)	
Operating revenue	<u>297,431</u>	<u>1,044,403</u>	<u>38,843</u>	<u>(5,195)</u>	<u>1,375,482</u>
Segment result	280,147	453,419	27,875	-	761,441
Gain on dilution of shareholding in associated company					10,886
Share of results of associated companies					<u>739,304</u>
Profit before taxation					1,511,631
Taxation					<u>(127,838)</u>
Net profit					<u>1,383,793</u>
Segment assets	2,128,529	3,501,893	226,702	(217,898)	5,639,226
Associates					<u>4,953,389</u>
Total assets					<u>10,592,615</u>
Segment liabilities	<u>559,930</u>	<u>389,606</u>	<u>249,542</u>	<u>(217,898)</u>	<u>981,180</u>
Other segment items:					
Capital expenditure	-	33,069	-	-	33,069
Depreciation	<u>2,469</u>	<u>2,719</u>	<u>-</u>	<u>83</u>	<u>5,271</u>

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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4. Segmental Financial Information (Continued)

	2006				
	Investment Management Services	Property Management Services	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	248,044	862,965	32,467	-	1,143,476
Operating revenue from other segments	-	-	716	(716)	-
Operating revenue	248,044	862,965	33,183	(716)	1,143,476
Segment result	237,772	320,903	27,487	-	586,162
Gain on dilution of shareholding in associated company					15,452
Share of results of associated companies					647,817
Profit before taxation					1,249,431
Taxation					(114,057)
Net profit					1,135,374
Segment assets	2,888,429	2,988,782	195,500	(237,838)	5,834,873
Associates					4,694,054
Total assets					10,528,927
Segment liabilities	837,807	224,599	249,965	(237,838)	1,074,533
Other segment items:					
Capital expenditure	1,896	23,758	-	-	25,654
Depreciation	2,448	2,252	250	84	5,034

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5. Investment Income

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Income				
Interest on securities and loans	166,165	192,843	22,311	25,625
Realised gain on disposal of securities	63,804	35,763	-	-
Foreign exchange gains	38,424	25,463		
Dividends	10,549	7,229	806,955	169,383
Other	3,218	8,480	11,969	14,528
	<u>282,160</u>	<u>269,778</u>	<u>841,235</u>	<u>209,536</u>
Direct Expenses				
Investment expense	(956)	(1,370)	-	-
	<u>281,204</u>	<u>268,408</u>	<u>841,235</u>	<u>209,536</u>

6. Property and Other Income

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Rental income	641,030	582,567	-	-
Fair value gains on property valuation	320,258	218,381	-	-
	<u>961,288</u>	<u>800,948</u>	<u>-</u>	<u>-</u>
Management fees	35,475	31,383	17,280	15,720
Miscellaneous income	75,846	26,320	22,170	26,133
	<u>111,321</u>	<u>57,703</u>	<u>39,450</u>	<u>41,853</u>

During 2007 the group recovered \$77,594,000 on an impaired loan with a carrying value of \$17,994,000. The gain of \$59,600,000 has been included in miscellaneous income.

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7. Operating Expenses by Nature

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Direct cost of property management	309,274	305,573	-	-
Staff costs (Note 9)	132,927	67,707	52,223	20,899
Directors Fees	26,399	27,811	16,924	16,828
Professional fees	27,409	18,196	7,392	5,686
Auditor's remuneration	10,313	10,781	2,700	2,700
Information technology services	8,009	8,617	225	-
Office expense	4,543	1,510	1,475	737
Public relations, advertising and promotion	6,493	4,391	4,572	3,465
Rental and lease	5,380	8,828	-	-
Donations	9,474	8,389	4,718	8,335
Bad debts	-	21,468	791	8,958
Depreciation	5,271	5,034	2,471	2,429
Other	37,012	32,223	5,574	7,369
	<u>582,504</u>	<u>520,528</u>	<u>99,065</u>	<u>77,406</u>

8. Gain on Dilution of Shareholding in Associated Company

During 2007 one of the company's associated companies, Life of Jamaica Limited, issued ordinary shares to its employees through its ESOP scheme. The issues have reduced the company's holding to the current level of 24.53% (2006 – 24.64%). The gains arising from the share issues of \$10,886,000 (2006 - \$15,452,000) have been credited to the statement of operations.

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9. Staff Costs

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Wages and salaries	82,877	57,917	22,254	9,169
Statutory contributions	4,751	3,607	1,410	707
Pension - funded (Note 20(a))	13,939	(9,859)	2,343	2,267
Pension – unfunded (Note 20(b))	1,627	1,579	1,627	1,579
Other post retirement benefits (Note 20(c))	5,668	5,018	932	746
Stock compensation expense (Note 26)	18,929	2,455	18,929	2,455
Other	5,136	6,990	4,728	3,976
	<u>132,927</u>	<u>67,707</u>	<u>52,223</u>	<u>20,899</u>

10. Taxation

(a) Composition of tax charge

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

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current income tax at 33 $\frac{1}{3}$ %	154,320	42,964	-	-
Over provision in prior year	-	(11,917)	-	-
Deferred income taxes (Note 17)	<u>(26,482)</u>	<u>83,010</u>	<u>(7,874)</u>	<u>3,241</u>
	<u>127,838</u>	<u>114,057</u>	<u>(7,874)</u>	<u>3,241</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, some of the group subsidiaries have losses available for offset against future taxable profits amounting to approximately \$69,415,000 (2006 - \$70,132,000).

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10. Taxation (Continued)

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

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current income tax				
Profit before tax	1,511,631	1,249,431	767,606	150,627
Tax at 33 ⅓%	503,877	416,460	255,869	50,209
Effects of:				
Income not subject to tax	(129,881)	(95,234)	(265,097)	(51,823)
Share of associates' profit included net of tax	(246,435)	(215,917)	-	-
Expenses not deductible for tax purposes	1,580	5,834	1,354	4,855
Tax losses utilised	(1,303)	-	-	-
Tax losses for which no deferred tax asset was recognised	-	14,831	-	-
	127,838	125,974	(7,874)	3,241
Adjustment for prior year over provision	-	(11,917)	-	-
Income tax expense/(credit)	127,838	114,057	(7,874)	3,241

Income not subject to tax consists principally of property revaluation gains.

11. Earnings per Stock Unit

The calculation of basic earnings per stock unit (EPS) is based on the net profit attributable to equity holders of the group 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.

	2007	2006
Net profit attributable to stockholders (\$'000)	996,446	822,050
Weighted average number of stock units in issue (thousands)	171,299	171,299
Basic earnings per stock unit (\$)	\$5.82	\$4.80

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.

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11. Earnings per Stock Unit (Continued)

Fully diluted EPS was calculated as follows:

	2007	2006
Net profit used to determine fully diluted earnings per stock unit (\$'000)	<u>996,446</u>	<u>822,050</u>
Weighted average number of ordinary stock units (thousands)	171,299	171,299
Adjustments for share options (thousands)	<u>3,063</u>	<u>3,063</u>
Weighted average number of stock units for diluted earnings per stock unit (thousands)	<u>174,362</u>	<u>174,362</u>
Fully diluted earnings per stock unit	<u><u>\$5.71</u></u>	<u><u>\$4.72</u></u>

12. Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturity dates not exceeding 90 days.

	<u>The Group</u>		<u>The Company</u>	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	102,850	116,654	81,290	114
Short term deposits	99,843	45,004	12,004	4,497
Securities purchased under agreements to resell (Note 14)	<u>383,325</u>	<u>411,618</u>	<u>-</u>	<u>-</u>
	586,018	573,276	93,294	4,611
Bank overdrafts	<u>(17,738)</u>	<u>(6,010)</u>	<u>-</u>	<u>(2,934)</u>
	<u><u>568,280</u></u>	<u><u>567,266</u></u>	<u><u>93,294</u></u>	<u><u>1,677</u></u>

Security for the bank overdrafts includes certain specific securities and investment properties owned by the subsidiaries as well as the unlimited guarantee of the holding company. The effective interest rate on overdraft facility was 18.25% in both years. Short term deposits amounted to \$161,610,000 (2006 - \$45,004,000) of which \$99,843,000 (2006 - \$45,004,000) had original maturity dates not exceeding 90 days.

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13. Investment Securities

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Financial assets at fair value through profit and loss	130,293	72,103	-	-
Available-for-sale:				
Debt securities -				
Government of Jamaica	777,332	1,387,189	240,547	265,535
Other	11,386	317,684	-	-
Equity securities -				
Quoted	616,164	317,162	4,960	5,462
	<u>1,404,882</u>	<u>2,022,035</u>	<u>245,507</u>	<u>270,997</u>
Loans and receivable -				
Corporate debentures	-	17,994	-	-
Other	11,041	18,108	2,555	2,557
Interest receivable	2,883	2,741	1,440	1,200
	<u>13,924</u>	<u>38,843</u>	<u>3,995</u>	<u>3,757</u>

(a) Corporate debentures were shown net of provision for impairment losses of \$50,303,000 for the group in 2006.

(b) Included in the group's investments are Government of Jamaica securities pledged as collateral as follows:

Investments with par value of US\$3,000,000 (2006 - US\$7,700,000) have been pledged as collateral for loans granted to one of the company's subsidiaries (Note 23(iii)).

14. Securities Purchased under Agreements to Resell

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.

Included in securities purchased under agreements to resell are \$383,325,000 (2006 - \$411,618,000), which are regarded as cash and cash equivalents for the purposes of the consolidated statement of cash flows (Note 12).

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15. Investment Properties

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
At 1 January	2,527,451	2,283,361	-	-
Acquired during the year	55,414	7,127	-	-
Transferred from capital work-in-progress	11,277	18,582	-	-
Fair value gains	320,258	218,381	-	-
At 31 December	2,914,400	2,527,451	-	-

Property income and direct expenses including repairs and maintenance that generated property income during the year in relation to investment properties are as follows:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Property income	641,030	582,567	-	-
Direct costs	(309,274)	(305,573)	-	-

The properties were valued at current market value as at 31 December 2007 by D.C. Tavares & Finson Realty Limited, independent qualified property appraisers and valuers.

16. Investment in Subsidiaries and Associated Companies

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Subsidiary companies -				
At cost				
First Jamaica Investments Limited	-	-	57,758	57,758
Busha Browne's Company Limited	-	-	1	1
Scott's Preserves Limited	-	-	1	1
Panacea Insurance Company Limited	-	-	6,910	6,910
Jamaica Floral Exports Limited	-	-	3,000	3,000
Pan Jamaican Mortgage Society Limited	-	-	1	1
	-	-	67,671	67,671

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16. Investment in Subsidiaries and Associated Companies (Continued)

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Associated companies -				
Life of Jamaica Limited				
Shareholding at cost	3,493,066	3,493,066	-	-
Share of profit	1,872,393	1,147,241	-	-
Dividend received	(643,470)	(367,697)	-	-
Share of reserves	(45,628)	164,079	-	-
Gain on dilution of holding	26,338	15,452	-	-
	<u>4,702,699</u>	<u>4,452,141</u>	<u>-</u>	<u>-</u>
Hardware and Lumber Limited				
Shareholding at cost	22,296	22,296	22,296	22,296
Share of profit	78,981	64,829	-	-
Dividends received	(5,389)	-	-	-
Share of capital reserves	155,684	155,684	-	-
	<u>251,572</u>	<u>242,809</u>	<u>22,296</u>	<u>22,296</u>
Impan Properties Limited				
Shareholding at cost	20	20	-	-
Share of profit	58	58	-	-
Share of capital reserve	7,945	7,945	-	-
Current account	(8,905)	(8,919)	-	-
	<u>(882)</u>	<u>(896)</u>	<u>-</u>	<u>-</u>
	<u>4,953,389</u>	<u>4,694,054</u>	<u>22,296</u>	<u>22,296</u>
Comprising:				
Share of net assets	4,054,024	3,792,977	-	-
Goodwill	899,365	901,077	-	-
	<u>4,953,389</u>	<u>4,694,054</u>	<u>-</u>	<u>-</u>

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16. Investment in Subsidiaries and Associated Companies (Continued)

The assets, liabilities, revenue and net profit of the associates as at and for the years ended 31 December 2007 and 2006 are as follows:

	Assets	Liabilities	Revenue	Net Profit
	\$'000	\$'000	\$'000	\$'000
2007				
Life of Jamaica Limited	87,069,730	71,562,705	16,963,941	2,956,775
Hardware and Lumber Limited	3,342,820	2,134,994	6,648,066	130,110
Impan Properties Limited	44,119	4,032	-	-
	<u>90,456,669</u>	<u>73,701,731</u>	<u>23,612,007</u>	<u>3,086,885</u>
2006				
Life of Jamaica Limited	79,058,214	64,646,427	14,768,584	2,572,216
Hardware and Lumber Limited	2,938,810	1,773,141	5,655,194	37,718
Impan Properties Limited	44,119	4,018	-	-
	<u>82,041,143</u>	<u>66,423,586</u>	<u>20,423,778</u>	<u>2,609,934</u>

17. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33 1/3% for both 2007 and 2006.

Assets and liabilities recognised on the balance sheet are as follows:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	8,796	1,160	7,059	-
Deferred tax liabilities	(128,978)	(147,824)	-	(815)
Net (liability)/asset	<u>(120,182)</u>	<u>(146,664)</u>	<u>7,059</u>	<u>(815)</u>

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

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	(146,664)	(63,654)	(815)	2,426
Credited/(charged) to statement of operations (Note 10)	26,482	(83,010)	7,874	(3,241)
Balance at 31 December	<u>(120,182)</u>	<u>(146,664)</u>	<u>7,059</u>	<u>(815)</u>

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17. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred income tax assets				
Pensions and other post retirement benefits	9,412	8,457	4,486	4,482
Interest payable	20,547	2,218	-	3
Net lease obligations	727	629	626	528
Equity compensation	7,128		7,128	
Unrealised foreign exchange losses	3,462	1,493	-	-
Unutilised tax losses	2,423	226	-	-
	<u>43,699</u>	<u>13,023</u>	<u>12,240</u>	<u>5,013</u>

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred income tax liabilities				
Property, plant and equipment	81	82	81	82
Investment securities	7,214	1,536	-	-
Pension benefits	12,834	13,829	822	1,425
Tax depreciation on investment property	100,727	88,752	-	-
Unrealised foreign exchange gains	13,999	11,330	3,775	3,921
Receivables	503	3,719	-	-
Other	230	-	-	-
Interest receivable	28,293	40,439	503	400
	<u>163,881</u>	<u>159,687</u>	<u>5,181</u>	<u>5,828</u>
Net (liability)/asset	<u>(120,182)</u>	<u>(146,664)</u>	<u>7,059</u>	<u>(815)</u>

Deferred income tax liabilities have not been established for the withholding tax that would be payable on the unappropriated profits of subsidiaries, as such amounts are permanently reinvested; such unappropriated profits totalled \$3,471,000,000 at 31 December 2007 (2006 - \$5,387,000,000).

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17. Deferred Income Taxes (Continued)

The amounts shown in the balance sheet include the following:

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax assets to be recovered after more than 12 months	9,412	8,457	4,486	4,482
Deferred tax assets to be recovered within 12 months	34,287	4,566	7,754	531
	<u>43,699</u>	<u>13,023</u>	<u>12,240</u>	<u>5,013</u>
Deferred tax liabilities to be settled after more than 12 months	113,561	88,834	903	1,507
Deferred tax liabilities to be settled within 12 months	50,320	70,853	4,278	4,321
	<u>163,881</u>	<u>159,687</u>	<u>5,181</u>	<u>5,828</u>
Net (liability)/asset	<u>(120,182)</u>	<u>(146,664)</u>	<u>7,059</u>	<u>(815)</u>

18. Other Assets

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Trade receivables	39,777	42,295	-	-
Inventories	2,181	2,830	-	-
Managed properties fees	18,316	25,158	-	-
Other receivables	56,276	74,775	4,580	-
Deposits	38,705	36,084	-	-
Land awaiting development	112,677	104,775	-	-
Work-in-progress	2,395	29,181	-	-
	<u>270,327</u>	<u>315,098</u>	<u>4,580</u>	<u>-</u>

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19. Property, Plant and Equipment

	The Group						
	Freehold Premises \$'000	Leasehold Improvements \$'000	Furniture, Fixtures & Equipment \$'000	Assets Capitalised under Finance Leases \$'000	Motor Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
At Cost -							
1 January 2006	44,161	14,325	20,528	3,727	12,896	31,430	127,067
Additions	-	-	1,124	-	5,185	19,345	25,654
Disposals	-	-	(113)	-	-	-	(113)
Transfers	-	-	-	-	-	(18,582)	(18,582)
31 December 2006	44,161	14,325	21,539	3,727	18,081	32,193	134,026
Additions	-	-	911	-	3,489	28,669	33,069
Disposals	-	-	-	-	(1,021)	-	(1,021)
Transfers	21,803	-	-	8,022	(8,022)	(33,080)	(11,277)
31 December 2007	65,964	14,325	22,450	11,749	12,527	27,782	154,797
Accumulated Depreciation -							
1 January 2006	2,792	9,710	17,930	3,727	3,098	-	37,257
Charge for year	325	1	443	-	4,265	-	5,034
Relieved on disposals	-	-	(36)	-	-	-	(36)
31 December 2006	3,117	9,711	18,337	3,727	7,363	-	42,255
Charge for year	139	-	529	-	4,603	-	5,271
Relieved on disposals	-	-	-	-	(1,021)	-	(1,021)
31 December 2007	3,256	9,711	18,866	3,727	10,945	-	46,505
Net Book Value -							
31 December 2007	62,708	4,614	3,584	8,022	1,582	27,782	108,292
31 December 2006	41,044	4,614	3,202	-	10,718	32,193	91,771

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19. Property, Plant and Equipment (Continued)

	The Company				
	Leasehold Improvements \$'000	Furniture & Fixtures \$'000	Assets Capitalised under Finance Leases \$'000	Motor Vehicles \$'000	Total \$'000
At Cost -					
1 January 2006	199	3,394	11,749	957	16,299
Additions	-	539	-	-	539
Disposals	-	(113)	-	-	(113)
31 December 2006	199	3,820	11,749	957	16,725
31 December 2007	199	3,820	11,749	957	16,725
Accumulated Depreciation -					
1 January 2006	198	2,878	2,349	957	6,382
Charge for the year	1	78	2,350	-	2,429
Relieved on disposal	-	(35)	-	-	(35)
31 December 2006	199	2,921	4,699	957	8,776
Charge for the year	-	120	2,350	-	2,470
31 December 2007	199	3,041	7,049	957	11,246
Net Book Value -					
31 December 2007	-	779	4,700	-	5,479
31 December 2006	-	899	7,050	-	7,949

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20. 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 company. 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 2007.

The amounts recognised in the balance sheet comprise:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Assets				
Funded pension schemes (Note 20(a))	41,782	50,504	2,467	4,277
Liabilities				
Unfunded pension scheme (Note 20(b))	13,457	13,445	13,457	13,445
Other (Note 20(c))	43,591	40,094	4,882	4,227
	<u>57,048</u>	<u>53,539</u>	<u>18,339</u>	<u>17,672</u>

The (income)/expense recognised in the statement of operations comprise:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Pension schemes - funded (Note 20(a))	13,939	(9,859)	2,343	2,267
Pension scheme – unfunded (Note 20(b))	1,627	1,579	1,627	1,579
Other post-retirement obligations:				
Medical and life insurance (Note 20(c))	5,668	5,018	932	746
	<u>21,234</u>	<u>(3,262)</u>	<u>4,902</u>	<u>4,592</u>

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20. Retirement Benefit (Continued)

(a) Funded pension obligations

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Present value of funded obligations	122,061	119,951	16,278	14,836
Fair value of plan assets	(353,669)	(318,528)	(158,568)	(143,482)
	(231,608)	(198,577)	(142,290)	(128,646)
Unrecognised actuarial gains	12,067	4,498	13,255	15,483
Unrecognised past service cost	177,759	143,575	126,568	108,886
Asset in the balance sheet	(41,782)	(50,504)	(2,467)	(4,277)

Life of Jamaica Limited, an associated company which manages the group's pension fund assets, has invested in ordinary stock units of a subsidiary of the group with a fair value of \$608,475,000 (2006 - \$48,320,000).

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20. Retirement Benefit (Continued)

(a) Funded pension obligations (continued)

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

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of year	119,951	128,796	14,836	34,819
Current service cost	3,733	3,485	352	980
Interest cost	12,916	14,120	1,658	2,903
Contributions by plan participants	4,344	3,488	431	457
Actuarial gains	(13,669)	(756)	(795)	(3,072)
Benefits paid	(5,214)	(29,182)	(204)	(21,251)
End of year	<u>122,061</u>	<u>119,951</u>	<u>16,278</u>	<u>14,836</u>

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

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of year	318,528	303,717	143,482	145,427
Expected return on plan assets	36,845	35,313	17,262	16,443
Actuarial (losses)/gains	(6,051)	1,070	(2,936)	1,803
Employer contributions	5,217	4,122	533	603
Employee contributions	4,344	3,488	431	457
Benefits paid	(5,214)	(29,182)	(204)	(21,251)
End of year	<u>353,669</u>	<u>318,528</u>	<u>158,568</u>	<u>143,482</u>

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

20. Retirement Benefits (Continued)

(a) Funded pension obligations (continued)

The amounts recognised in the statement of operations are as follows:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current service cost	3,733	3,485	352	980
Interest cost	12,916	14,120	1,658	2,903
Expected return on plan assets	(36,845)	(35,313)	(17,262)	(16,443)
Net actuarial gains recognised in year	(49)	7	(87)	-
Change in unrecognised asset	34,184	7,842	17,682	14,827
Total	13,939	(9,859)	2,343	2,267

The actual return on plan assets was \$34,838,000 and \$15,274,000 (2006 - \$33,000,000 and \$16,081,000) for the group and the company, respectively.

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2007	2006	2007	2006
	%	%	%	%
Discount rate	13.0	12.0	13.0	12.0
Expected return on plan assets	12.17	12.0	12.0	12.0
Future salary increases	9.75	9.5	13.0	9.5
Future pension increases	3.5	3.5	3.5	3.5

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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20. Retirement Benefit (Continued)

(b) Unfunded Pension Obligations

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	13,457	13,445	13,457	13,445

The movement in the liability recognised in the balance sheet is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of year	13,445	13,509	13,445	13,509
Expense	1,627	1,579	1,627	1,579
Contributions paid	(1,615)	(1,643)	(1,615)	(1,643)
End of year	13,457	13,445	13,457	13,445

(c) Other post-retirement 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 12% per year (2006 - 11%).

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

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	45,785	35,757	6,158	4,484
Unrecognised actuarial (losses)/gains	(2,194)	4,337	(1,276)	(257)
Liability in the balance sheet	43,591	40,094	4,882	4,227

Pan-Jamaican Investment Trust Limited

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20. Retirement Benefit (Continued)

(c) Other post-retirement obligations (continued)

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

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of year	35,757	33,387	4,484	5,040
Current service cost	1,642	1,135	411	198
Interest cost	4,163	4,082	521	630
Contributions by plan participants	(1,894)	(1,577)	-	-
Actuarial losses/(gains)	6,394	(1,116)	1,019	(1,230)
Benefits paid	(277)	(154)	(277)	(154)
End of year	<u>45,785</u>	<u>35,757</u>	<u>6,158</u>	<u>4,484</u>

The expense recognised in the statement of operations is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current service cost	1,642	1,135	411	198
Interest cost	4,163	4,082	521	630
Net actuarial gains recognised during the year	<u>(137)</u>	<u>(199)</u>	<u>-</u>	<u>(82)</u>
Total, included in staff costs (Note 9)	<u>5,668</u>	<u>5,018</u>	<u>932</u>	<u>746</u>

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	6,686	4,775
Effect on the defined benefit obligation	52,211	38,822

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20. Retirement Benefit (Continued)

(c) Other post-retirement obligations (continued)

Plan assets are comprised as follows:

	2007		2006	
	\$'000	%	\$'000	%
Equity	50,920	14	50,987	16
Debt	299,161	85	266,419	83
Other	3,588	1	1,122	1
	<u>353,669</u>	<u>100</u>	<u>318,528</u>	<u>100</u>

Movement in the defined benefit obligation is as follows:

	The Group			
	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000
Present value of defined obligation	135,518	133,396	142,305	182,078
Fair value of plan assets	(353,669)	(318,528)	(303,717)	(410,571)
Surplus	<u>(218,151)</u>	<u>(185,132)</u>	<u>(161,412)</u>	<u>(228,493)</u>
Experience adjustments on plan liabilities	(14,401)	(206)	17,706	55,629
Experience adjustments on plan assets	6,051	(1,071)	(2,690)	(41,173)

	The Company			
	2007	2006	2005	2004
	\$'000	\$'000	\$'000	\$'000
Present value of defined obligation	29,735	28,281	48,328	29,445
Fair value of plan assets	(158,568)	(143,482)	(145,427)	(122,596)
Surplus	<u>(128,833)</u>	<u>(115,201)</u>	<u>(97,099)</u>	<u>(93,151)</u>
Experience adjustments on plan liabilities	(1,527)	(2,522)	14,481	(1,872)
Experience adjustments on plan assets	2,936	(1,803)	(2,667)	(12,575)

Pan-Jamaican Investment Trust Limited

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21. Related Party Balances and Transactions

(a) The balance sheet includes the following balances with related parties and companies:

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amounts due from related parties:				
Subsidiaries:				
Busha Browne's Company Limited	-	-	102,585	102,837
First Jamaica Investments Limited	-	-	-	4,323
Portfolio Partners Limited	-	-	-	575
Jamaica Floral Exports Limited	-	-	90,410	90,378
Pan-Jamaican Mortgage Society Limited	-	-	386	402
Scott's Preserves Limited	-	-	22,114	22,373
	-	-	215,495	220,888
Amounts due to related parties:				
Subsidiaries:				
First Jamaica Investments Limited	-	-	77,193	-
Jamaica Property Company Limited	-	-	3,459	1,714
Associated companies				
Life of Jamaica Limited	5,225	35,925	-	-
Related company				
Pan Caribbean Financial Services Limited	5,093	4,419	-	-
	10,318	40,344	80,652	1,714
Net asset/(liability)	(10,318)	(40,344)	134,843	219,174

Pan-Jamaican Investment Trust Limited

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21. Related Party Transactions and Balances (Continued)

(b) The consolidated statement of operations includes the following transactions with related parties:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Parent				
Interest income	-	-	-	-
Management fee income	-	-	-	-
Interest paid	-	-	-	-
Professional fees	-	-	-	-
Fellow subsidiaries				
Interest income	-	-	44	291
Management fees paid	-	-	17,278	15,720
Interest paid	-	-	(2,663)	(4,073)
Other	-	-	10,600	10,600
Associated companies				
Dividends received	281,162	248,196	5,389	-
Interest paid	(268)	(428)	(268)	(428)
Other related parties				
Rental income	47,306	36,387	-	-
Interest and other income earned	40,446	34,556	1,057	1,920
Interest and other expenses paid	(16,145)	(19,562)	-	-
Other expenses	(3,762)	(3,800)	-	-

Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2007

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21. Related Party Transactions and Balances (Continued)

(c) Key management compensation:

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	32,647	33,955	11,607	3,613
Statutory contributions	2,754	1,669	1,010	314
Post-employment benefits	(331)	(1,491)	222	149
Share-based compensation	18,928	2,455	18,928	2,455
	<u>53,998</u>	<u>36,588</u>	<u>31,767</u>	<u>6,531</u>
Directors emoluments				
Fees	4,833	6,618	2,720	3,235
Other	10,397	10,397	10,397	10,397
Management compensation (included above)	<u>11,169</u>	<u>10,796</u>	<u>3,807</u>	<u>3,196</u>
	<u>26,399</u>	<u>27,811</u>	<u>16,924</u>	<u>16,828</u>

(d) Loans from related parties

	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Loans from associates				
Balance at beginning of year	2,076	2,040	2,076	2,040
Interest charged	268	428	268	428
Interest paid/transferred	(2,344)	(392)	(2,344)	(392)
	<u>-</u>	<u>2,076</u>	<u>-</u>	<u>2,076</u>
Total loans from related parties				
Balance at beginning of year	468,815	439,277	-	261,064
Loans advanced during year	60,000	277,054	-	-
Loans repayments received	(284,119)	(261,211)	-	(261,064)
Interest charged	15,111	22,776	-	2,125
Interest paid	(15,111)	(21,687)	-	(2,125)
Foreign exchange loss	9,024	12,606	-	-
	<u>253,720</u>	<u>468,815</u>	<u>-</u>	<u>-</u>

A subsidiary has pledged certain of its freehold land and buildings as security for First Mortgage Debenture Stocks issued by the company under a joint trust deed. At 31 December 2007, the balance outstanding was nil (2006 - \$286,000,000).

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22. Other Liabilities

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Promissory note – managed funds	25,039	39,788	-	-
Other liabilities and accrued expenses	191,819	178,547	23,570	7,853
Trade payables	17,109	17,995	-	-
Dividends payable	14,872	1,253	13,619	5,531
	<u>248,839</u>	<u>237,583</u>	<u>37,189</u>	<u>13,384</u>

23. Loan Liabilities

	Currency	Rate %	Repayable	The Group	
				2007 \$'000	2006 \$'000
Secured -					
(i) First Caribbean International Bank Limited	US\$	LIBOR + 2.875/3.65	2008	49,432	72,904
(ii) First Caribbean International Bank Limited	J\$	17.50	2008	73,557	-
(iii) Pan Caribbean Financial Services Limited	US\$	6.50	2008	193,720	185,762
(iv) Pan Caribbean Financial Services Limited	US\$	6.02	2007	-	283,053
(v) Pan Caribbean Financial Services Limited	J\$	14.50	2008	60,000	-
Unsecured -					
(vi) Bank of Nova Scotia Jamaica Limited	J\$	20.0	2009	1,497	2,422
(vii) Life of Jamaica Limited	J\$	20.0	2007	-	2,040
(viii) JN Properties Limited	J\$	Variable	2008	13,586	13,586
(ix) Consortium loan	J\$	20.0	2007	-	5,335
				<u>391,792</u>	<u>565,102</u>
Interest payable				<u>1,778</u>	<u>6,161</u>
				<u>393,570</u>	<u>571,263</u>

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23. Loan Liabilities (Continued)

	Currency	Rate %	Repayable	The Company	
				2007 \$'000	2006 \$'000
Secured -					
First Mortgage Debenture Stocks 1985 – 2006				-	172
First Mortgage Debenture Stocks 1987 – 2007				-	114
First Mortgage Debenture Stocks 1989 – 2008		20.00	2008	1,000	1,000
Unsecured -					
Life of Jamaica Limited				-	2,040
First Jamaica Investments Limited				-	18,646
				<u>1,000</u>	<u>21,972</u>
Interest payable				-	379
				<u>1,000</u>	<u>22,351</u>

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23. Loan Liabilities (Continued)

- (i) The balance is made up of two demand loans issued by FirstCaribbean International Bank Limited. The first loan is a medium term demand loan for US\$2,000,000. Interest is charged on this loan at 2.875 percentage points above the US\$ 6-months LIBOR rate and is subject to annual review. The loan is repayable by way of twenty eight (28) equal quarterly installments plus interest and is secured by a first mortgage over commercial Lots 187-198 (inclusive) Grenada Crescent and a commercial parking garage located at 39 Barbados Avenue, New Kingston.

The second loan was issued by FirstCaribbean International Bank Limited to assist with the upgrade and expansion of Hi-Lo Supermarket, Manor Park Plaza, Kingston. The demand loan is subject to annual reviews. Interest rate on this loan is computed on the basis of US\$ 6-months LIBOR plus 3.65%. During the tenor of the loan facility there will be a half yearly interest rate reset on October and March. The loan is secured by first mortgage charge over commercial Lots 195 - 198 (inclusive) Grenada Crescent, New Kingston.

- (ii) This loan was issued by FirstCaribbean International Bank Limited to assist with the extension of the multi-storey parking garage, the construction of a well and other building upgrades. Interest rate on this loan is computed at US\$ Prime minus 1.75%. The loan is repayable by way of one hundred and twenty (120) equal monthly installments. The loan is secured by a first mortgage over commercial Lots 195 – 198 (inclusive) Grenada Crescent, New Kingston.

- (iii) The balance is made up of two demand loans issued by Pan Caribbean Financial Services Limited. The first loan is for US\$1,760,000. Interest is charged at 6.7% per annum. The loan is secured by a 10.5% Government of Jamaica indexed bond with a par value of US\$3,000,000.

The second loan is for US\$1,000,000. Interest is also charged at 6.75% per annum. The loan is unsecured.

- (iv) This demand loan issued by Pan Caribbean Financial Services Limited was for US\$4,230,000 and was repaid in 2007. Interest was charged at 6.02% per annum. The loan was secured by a 8.5% FHMLC bond valued at US\$4,700,000.

- (v) This represents a loan issued by Pan Caribbean Financial Services Limited, repayable in 2008 and secured by investment securities valued at \$90,000,000. Interest is charged at 14.5% per annum.

- (vi) This represents three non-revolving demand loans issued by Bank of Nova Scotia Jamaica Limited. Interest is charged at the bank base lending rate plus 1.5%. The loans are repayable by way of thirty five (35) monthly installments plus interest. The loans are unsecured.

- (vii) This represented a loan from Life of Jamaica and attracted an interest rate of 21%. This loan was repaid during 2007.

- (viii) This represents a loan advanced by J.N. Properties Limited. The debt is unsecured, attracts interest at a variable rate, and has no fixed repayment terms.

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23. Loan Liabilities (Continued)

Maturity of non current borrowings:

	2007 \$'000	2006 \$'000
Between 1 and 2 years	393,570	570,747
Between 2 and 5 years	-	516
	<u>393,570</u>	<u>571,263</u>

24. Finance Lease Liability

The finance lease obligations are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Minimum lease payments under finance leases:				
Not later than 1 year	2,906	2,906	2,906	2,906
Later than 1 year and not later than 5 years	3,043	5,973	3,043	5,973
	5,949	8,879	5,949	8,879
Future finance charges	(938)	(1,991)	(938)	(1,991)
Present value of finance lease obligations	<u>5,011</u>	<u>6,888</u>	<u>5,011</u>	<u>6,888</u>

The present value of the lease obligations is as follows:

	<u>The Group</u>		<u>The Company</u>	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Not later than 1 year	2,232	1,877	2,232	1,877
Later than 1 year and not later than 5 years	2,779	5,011	2,779	5,011
	<u>5,011</u>	<u>6,888</u>	<u>5,011</u>	<u>6,888</u>

25. Share Capital

	2007 No. '000	2006 No. '000
Authorised -		
Ordinary shares	<u>200,000</u>	<u>200,000</u>
	\$'000	\$'000
Issued and fully paid - 173,535,078 stock units	<u>185,354</u>	<u>185,354</u>

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26. Share Options

In November 2006, the company established the 2006 Executive Share Option Scheme (“the option plan”). Under the terms of the option plan, 7.5% of the share capital of the company has been reserved for issue. Officers and other key employees of the company and its subsidiaries are eligible to receive options under the plan. The plan is administered by a committee of the Board of Directors of the company. The exercise price of the granted options is equal to the fair value of the company’s shares at the date of the grant of the option, or the date on which the company has entered into a binding commitment to grant the options, whichever is the earlier. Shares issued when share options are exercised have the same rights as other issued common shares.

As at 31 December 2007, options over 3,062,500 common shares had been granted at an exercise price of \$45.00 to 2 executives, which vest in 5 annual equal amounts on the anniversary of the grant date. Vested options are exercisable for periods of time as determined by the committee of the Board, but in no event shall exceed 10 years from the date of grant. Options over 612,500 shares were vested and exercisable at 31 December 2007 (2006 - none)

The company has recognised share based compensation of \$18,929,000 (2006 - \$2,455,000).

The company has used the Black-Scholes valuation model for determining the fair value of the share options. The range of fair value of share options granted during the year, determined using this model, was \$9.31 to \$23.35.

The significant inputs into the model were as follows:

	<u>Share Options</u>
Grant dates	2006
Share Price (range in \$)	45.00
Annual Risk Free Rate (%)	12.61 – 13.16
Expected Volatility (%)	35.00
Expected Dividend yield (%)	0.98

The annual risk free rate used is based on Government of Jamaica Treasury Bills with terms equal to the expected life of the options.

The expected volatility of the share price has been determined by reference to the historical volatility of comparable companies to Pan Jamaican Investment Trust Limited at each of the grant dates.

The expected dividend yield has been determined by reference to the historical dividends paid by the company.

The movement in the number of share options is as follows:

	<u>The Group & Company</u>	
	2007	2006
At 1 January	3,062,500	-
Granted during the year	-	3,062,500
At 31 December	<u>3,062,500</u>	<u>3,062,500</u>

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27. Property Revaluation Reserve

The balance of \$1,527,859,000 represents the accumulated revaluation of investment properties, which amount was transferred from retained earnings in 2007.

28. Investment and Other Reserves

These comprise:

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fair value gains on investments	169,823	129,905	46,899	45,063
Capital reserves	1,813,986	1,806,044	146,823	146,823
Capital redemption reserves	2,176	2,176	-	-
Other reserves	535,458	688,447	-	-
	<u>2,521,443</u>	<u>2,626,572</u>	<u>193,722</u>	<u>191,886</u>
Capital reserves				
Realised gain on sale of ESOP shares	9,010	9,010	-	-
Realised gain on sale of insurance operations	1,161,344	1,161,344	-	-
Realised gain on dilution of holding in subsidiary	424,286	416,344	-	-
Other	219,346	219,346	146,823	146,823
	<u>1,813,986</u>	<u>1,806,044</u>	<u>146,823</u>	<u>146,823</u>

29. Dividends

	2007 \$'000	2006 \$'000
First interim dividend for 2007 at \$0.25 (2006 - \$0.20) per stock unit – gross	43,384	34,704
Second interim dividend for 2007 at \$4.00 (2006 - \$0.25) per stock unit – gross	694,140	43,380
Third interim dividend for 2007 at \$0.20 (2006 - \$0.25) per stock unit – gross	34,707	43,380
Fourth interim dividend for 2007 at \$0.20 (2006 - \$0.25) per stock unit - gross	34,707	43,380
	<u>806,938</u>	<u>164,844</u>
Preference dividends	-	21
Less: Dividends received by ESOP scheme	<u>(10,891)</u>	<u>(1,605)</u>
	<u>796,047</u>	<u>163,260</u>

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30. Cash Flows from Operating Activities

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net profit	1,383,793	1,135,374	775,480	147,386
Adjustments to reconcile net profit to cash flows provided by operating activities:				
Depreciation of property, plant and equipment	5,271	5,034	2,471	2,429
Equity compensation expense	18,929	2,455	18,929	2,455
Interest income	(166,165)	(192,843)	(22,311)	(25,625)
Interest expense	30,581	35,416	3,417	11,363
Share of results of associated companies	(739,304)	(647,817)	-	-
Gain on dilution of shareholding in associated company	(10,886)	(15,452)	-	-
Income tax expense	127,838	114,057	(7,874)	3,241
Change in retirement benefit asset/obligation	12,231	(10,758)	2,477	2,192
(Gain)/Loss on sale of property, plant and equipment	(1,092)	42	-	42
Fair value gains on investment properties	(320,258)	(218,381)	-	-
Unrealised gain on foreign currency denominated investment	(46,599)	(40,729)	(10,597)	(11,993)
Unrealised loss on foreign currency denominated loans	12,466	12,728	-	-
Unrealised gain on financial assets at fair value through profit and loss	(13,657)	(4,606)	-	-
	293,148	174,520	761,992	131,490
Changes in operating assets and liabilities:				
Taxation recoverable	43,887	(19,130)	(343)	(52)
Other assets, net	44,771	(110,843)	(4,580)	1,011
Other liabilities, net	11,256	(8,925)	23,805	(9,017)
	393,062	35,622	780,874	123,432
Interest received	166,165	192,843	22,311	25,625
Interest paid	(30,581)	(35,416)	(3,417)	(11,363)
Income tax paid	(45,724)	(97,028)	-	-
Net cash provided by operating activities	482,922	96,021	799,768	137,694

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31. Commitments

Operating lease commitments – where the group/company is the lessor:

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Not later than 1 year	219,412	193,503	-	-
Later than 1 year and not later than 5 years	534,620	549,570	-	-
Later than 5 years	41,800	25,080	-	-
	<u>795,832</u>	<u>768,153</u>	<u>-</u>	<u>-</u>

32. 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 and interest rates. Market risk is monitored by the group treasury department 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.

(i) Currency risk

Currency risk is the risk that the fair value of 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 US dollar. Foreign exchange risk arises from transactions for purchases and recognised assets and liabilities.

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(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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 assets and liabilities are denominated at 31 December:

	The Group			
	2007			
	Jamaican \$	US\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Assets				
Cash and bank balances	24,601	78,249	-	102,850
Investments (excluding investments in subsidiaries and associated companies)	926,680	939,099	228,255	2,094,034
Investment properties	2,914,400	-	-	2,914,400
Other	5,462,097	19,234	-	5,481,331
Total assets	9,327,778	1,036,582	228,255	10,592,615
Liabilities				
Other liabilities	562,005	25,605	-	587,610
Loans	148,640	244,930	-	393,570
Total liabilities	710,645	270,535	-	981,180
Net position	8,617,133	766,047	228,255	9,611,435
	The Group			
	2006			
	Jamaican \$	US\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Assets				
Cash and bank balances	114,657	1,997	-	116,654
Investments (excluding investments in subsidiaries and associated companies)	797,212	1,620,054	172,337	2,589,603
Investment properties	2,527,451	-	-	2,527,451
Other	5,208,967	86,252	-	5,295,219
Total assets	8,648,287	1,708,303	172,337	10,528,927
Liabilities				
Other liabilities	478,158	25,112	-	503,270
Loans	29,544	541,719	-	571,263
Total liabilities	507,702	566,831	-	1,074,533
Net position	8,140,585	1,141,472	172,337	9,454,394

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32. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Company		
	2007		
	Jamaican \$	US\$	Total
	J\$'000	J\$'000	J\$'000
Assets			
Cash and bank balances	4,005	77,285	81,290
Investments (excluding investments in subsidiaries and associated companies)	8,955	252,551	261,506
Other	334,246	-	334,246
Total assets	347,206	329,836	677,042
Liabilities			
Other liabilities	141,458	-	141,458
Loans	1,000	-	1,000
Total liabilities	142,458	-	142,458
Net position	204,748	329,836	534,584

	The Company		
	2006		
	Jamaican \$	US\$	Total
	J\$'000	J\$'000	J\$'000
Assets			
Cash and bank balances	114	-	114
Investments (excluding investments in subsidiaries and associated companies)	11,208	268,043	279,251
Other	331,937	-	331,937
Total assets	343,259	268,043	611,302
Liabilities			
Other liabilities	43,674	-	43,674
Loans	22,351	-	22,351
Total liabilities	66,025	-	66,025
Net position	277,234	268,043	545,277

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32. 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 its monetary assets and liabilities and its 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 monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of US dollar-denominated financial securities classified as available for sale and foreign exchange losses/gains on translation of US dollar-denominated borrowings. Profit is less sensitive to movement in US dollar exchange rates in 2007 than 2006 because of the decreased amount of US-dollar denominated net assets. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in individual variables, changes in assumptions have been determined on an individual basis. It should be noted that movements in these variables are non-linear.

The Group				
	% Change in Currency Rate	Effect on Net Profit	% Change in Currency Rate	Effect on Net Profit
	2007	2007 \$'000	2006	2006 \$'000
Currency:				
USD	5%	34,163	5%	45,110

The Company				
	% Change in Currency Rate	Effect on Net Profit	% Change in Currency Rate	Effect on Net Profit
	2007	2007 \$'000	2006	2006 \$'000
Currency:				
USD	5%	13,174	5%	10,154

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

The group'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 bearing 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 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 2007:							
Assets							
Investment securities	41,032	178,994	289,981	288,750	253,098	658,854	1,710,709
Investment properties	-	-	-	-	-	2,914,400	2,914,400
Investment in associated companies	-	-	-	-	-	4,953,389	4,953,389
Securities purchased under agreements to resell	262,043	62,887	58,395	-	-	-	383,325
Trade receivables	-	-	-	-	-	58,093	58,093
Cash and bank	102,850	-	-	-	-	-	102,850
Other	-	-	-	-	-	469,849	469,849
Total financial assets	405,925	241,881	348,376	288,750	253,098	9,054,585	10,592,615
Liabilities							
Loans	267,814	49,432	61,241	1,497	13,586	-	393,570
Bank overdraft	17,738	-	-	-	-	-	17,738
Trade payables	-	-	-	-	-	17,109	17,109
Other	-	-	-	-	-	552,763	552,763
Total financial liabilities	285,552	49,432	61,241	1,497	13,586	569,872	981,180
Total interest repricing gap	120,373	192,449	287,135	287,253	239,512	8,484,713	9,611,435
Cumulative interest repricing gap	120,373	312,822	599,957	887,210	1,126,722	9,611,435	

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32. 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 2006:						
Assets							
Investment securities	68,053	40,996	512,197	528,381	636,360	391,998	2,177,986
Investment properties	-	-	-	-	-	2,527,451	2,527,451
Investment in associated companies	-	-	-	-	-	4,694,054	4,694,054
Securities purchased under agreements to resell	411,618	-	-	-	-	-	411,618
Trade receivables						67,453	67,453
Cash and bank	116,654	-	-	-	-	-	116,654
Other	-	-	-	-	-	533,712	533,712
Total financial assets	596,325	40,996	512,197	528,381	636,360	8,214,668	10,528,927
Liabilities							
Loans	-	-	555,258	2,419	13,586	-	571,263
Bank overdraft	6,010	-	-	-	-	-	6,010
Trade payable						17,995	17,995
Other	-	-	-	-	-	479,265	479,265
Total financial liabilities	6,010	-	555,258	2,419	13,586	497,260	1,074,533
Total interest repricing gap	590,316	40,996	(43,061)	525,962	622,774	7,717,407	9,454,394
Cumulative interest repricing gap	590,316	631,312	588,251	1,114,213	1,736,987	9,454,394	

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32. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2007:							
Assets							
Investment securities	12,004	-	-	130,612	113,930	4,960	261,506
Cash and bank	81,290	-	-	-	-	-	81,290
Other	-	-	-	-	-	334,246	334,246
Total financial assets	93,294	-	-	130,612	113,930	339,206	677,042
Liabilities							
Loans	-	-	-	1,000	-	-	1,000
Other	-	-	-	-	-	141,458	141,458
Total financial liabilities	-	-	-	1,000	-	141,458	142,458
Total interest repricing gap	93,294	-	-	129,612	113,930	197,748	534,584
Cumulative interest repricing gap	93,294	93,294	93,294	222,906	336,836	534,584	

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2006:							
Assets							
Investment securities	4,497	-	37,044	124,058	108,190	5,462	279,251
Cash and bank	114	-	-	-	-	-	114
Other	-	-	-	-	-	331,937	331,937
Total financial assets	4,611	-	37,044	124,058	108,190	337,399	611,302
Liabilities							
Loans	-	-	-	22,351	-	-	22,351
Bank overdraft	2,934	-	-	-	-	-	2,934
Other	-	-	-	6,888	-	33,852	40,740
Total financial liabilities	2,934	-	-	29,239	-	33,852	66,025
Total interest repricing gap	1,677	-	37,044	94,819	108,190	303,547	545,277
Cumulative interest repricing gap	1,677	1,677	38,721	133,540	241,730	545,277	

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(expressed in Jamaican dollars unless otherwise indicated)

32. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the group's and company's profit and loss account and stockholders' equity.

The Group's interest rate risk arises from long term borrowing. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on floating rate borrowing. The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, changes in assumptions have been determined on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on	Effect on	Effect on	Effect on
	Profit	Profit	Equity	Equity
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Change in basis points:				
- 200	4,404	7,404	2,883	(1,301)
+ 200	(4,404)	(7,404)	(2,852)	3,651

	The Company			
	Effect on	Effect on	Effect on	Effect on
	Profit	Profit	Equity	Equity
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Change in basis points:				
- 200	-	-	1,483	1,665
+ 200	-	-	(1,466)	(1,655)

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32. 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 is exposed to price risk because of investments held by the group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The group is not exposed to commodity price risk. The group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

(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. The group has significant concentrations of credit risk in Government of Jamaica issued securities. The group has policies in place to ensure that sales of products 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, and 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 provision 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 to any other party than wholly-owned subsidiaries.

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32. Financial Risk Management (Continued)

(b) Credit risk (continued)

Maximum exposure to credit risk *[financial instruments]*

	Maximum exposure			
	The Group		The Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Credit risk exposures relating to on balance sheet items are as follows:				
Assets:				
Deposits	161,610	45,004	12,004	4,497
Trading securities	130,293	72,103	-	-
Securities purchased under agreements to resell	383,325	411,618	-	-
Available-for-sale securities	1,404,882	2,022,035	245,507	270,997
Loans	13,924	38,843	3,995	3,757
Trade receivables	58,093	67,453	-	-
Cash	102,850	116,654	81,290	114
	<u>2,254,977</u>	<u>2,773,710</u>	<u>342,796</u>	<u>279,365</u>
Liabilities				
Loan liabilities	393,570	571,263	1,000	22,351
Trade payables	17,109	17,995	-	-
	<u>410,679</u>	<u>589,258</u>	<u>1,000</u>	<u>22,351</u>
Credit risk exposures relating to off balance sheet items are as follows:				
Loan commitments	<u>795,832</u>	<u>768,153</u>	-	-

The above table represents a worst case scenario of credit risk exposure to the group and company at 31 December 2007 and 2006, without taking account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet. No impairment loss was recognised (2006 – no instances).

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32. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Trade 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		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Commercial	34,659	39,026	-	-
Retail	5,394	4,351	-	-
Managed properties	18,316	25,158	-	-
	58,369	68,535	-	-
Less: Provision for credit losses	(276)	(1,082)	-	-
	<u>58,093</u>	<u>67,453</u>	<u>-</u>	<u>-</u>

Credit quality of trade receivables are summarized as follows:

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Neither past due nor impaired -				
Standard	35,037	44,276	-	-
Past due but not impaired	23,056	23,177	-	-
Impaired	276	1,082	-	-
Gross	58,369	68,535	-	-
Less: Provision for credit losses	(276)	(1,082)	-	-
Net	<u>58,093</u>	<u>67,453</u>	<u>-</u>	<u>-</u>

The majority of trade receivables are receivable from customers in Jamaica.

Pan-Jamaican Investment Trust Limited

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32. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Aging analysis of past due but not impaired trade receivables:

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
31 to 60 days	7,711	2,919	-	-
61 to 90 days	78	961	-	-
Over 90 days	15,267	19,297	-	-
	<u>23,056</u>	<u>23,177</u>	<u>-</u>	<u>-</u>

The amounts above include managed properties fees receivables of \$18,316,000 (2006 - \$25,158,000) (Note 18). There are no financial assets other than trade receivables that are past due.

(iii) Investments

The following table summarises the credit exposure of the group to businesses and government by sectors in respect of investments (excluding investments in subsidiaries and associated companies):

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Government of Jamaica	839,099	1,387,189	240,547	265,535
Foreign institutions	105,454	317,684	-	-
Financial institutions	475,587	456,622	12,004	4,497
Corporate equities	659,970	389,265	4,960	4,960
Other	13,924	38,843	3,995	3,757
	<u>2,094,034</u>	<u>2,589,603</u>	<u>261,506</u>	<u>278,749</u>

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32. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iv) Debt securities

The following table summarises the group's and company's credit exposure for debt securities at their face value, as categorised by issuer:

	The Group		The Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Government of Jamaica	696,756	1,196,989	183,431	209,717
Corporate	14,101	317,684	-	-
	<u>710,857</u>	<u>1,514,673</u>	<u>183,431</u>	<u>209,717</u>

(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 committed lines of credit;
- (iv) Optimising cash returns on investment;
- (v) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is 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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32. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows

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

	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	
As at 31 December 2007:						
Assets						
Cash and bank balances	102,850	-	-	-	-	102,850
Trading assets	32,910	-	97,383	-	-	130,293
Investments	440,054	64,183	435,939	737,183	192,835	1,870,194
Loans	-	-	2,652	3,148	8,124	13,924
Trade receivables	35,037	23,056	-	-	-	58,093
Total financial assets (contractual maturity date)	610,851	87,239	535,974	740,331	200,959	2,175,354
As at 31 December 2007:						
Liabilities						
Loans	-	195,498	90,256	94,230	13,586	393,570
Bank overdraft	17,738	-	-	-	-	17,738
Trade payables	17,109	-	-	-	-	17,109
Total financial liabilities (contractual maturity date)	34,847	195,498	90,256	94,230	13,586	428,417
Net Liquidity Gap	576,004	(108,259)	445,718	646,101	187,373	1,746,937
Cumulative Liquidity Gap	576,004	467,745	913,463	1,559,564	1,746,937	

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32. 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	
As at 31 December 2006:						
Assets						
Cash and bank balances	116,654	-	-	-	-	116,654
Trading assets	-	-	72,103	-	-	72,103
Investments	467,772	23,481	453,047	178,307	1,190,205	2,312,812
Loans	-	-	2,193	36,650	-	38,843
Trade receivables	44,276	23,177	-	-	-	67,453
Total financial assets (contractual maturity dates)	628,702	46,658	527,343	214,957	1,190,205	2,607,865
As at 31 December 2006:						
Liabilities						
Loans	-	258,666	288,834	7,758	16,005	571,263
Bank overdraft	6,010	-	-	-	-	6,010
Trade payables	17,995	-	-	-	-	17,995
Total financial liabilities (contractual maturity dates)	24,005	258,666	288,834	7,758	16,005	595,268
Net Liquidity Gap	604,697	(212,008)	238,509	207,199	1,174,200	2,012,597
Cumulative Liquidity Gap	604,697	392,689	631,198	838,397	2,012,597	

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32. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company					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	
As at 31 December 2007:						
Assets						
Cash and bank balances	81,290	-	-	-	-	81,290
Investments	12,004	-	-	106,841	81,667	200,512
Loans	-	-	-	3,995	-	3,995
Total financial assets (contractual maturity dates)	93,294	-	-	110,836	81,667	285,797
As at 31 December 2007:						
Liabilities						
Loans	-	-	-	1,000	-	1,000
Total financial liabilities (contractual maturity dates)	-	-	-	1,000	-	1,000
Net Liquidity Gap	93,294	-	-	109,836	81,667	284,797
Cumulative Liquidity Gap	93,294	93,294	93,294	203,130	284,797	

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32. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company					Total
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	
As at 31 December 2006:						
Assets						
Cash and bank balances	114	-	-	-	-	114
Investments	4,497	-	34,872	101,859	72,986	214,214
Total financial assets (contractual maturity dates)	4,611	-	34,872	101,859	72,986	214,328
As at 31 December 2006:						
Liabilities						
Loans	-	-	-	-	22,351	22,351
Bank overdraft	2,934	-	-	-	-	2,934
Total financial liabilities (contractual maturity dates)	2,934	-	-	-	22,351	25,285
Net Liquidity Gap	1,677	-	34,872	101,859	50,635	189,043
Cumulative Liquidity Gap	1,677	1,677	36,549	138,408	189,043	

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term investments.

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32. 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 capital, which the group defines as net profit attributable to equity holders divided by total stockholders' equity, excluding minority 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 employees share option plans 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 complied with all externally imposed capital requirements to which they were subjected.

33. 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 balance sheet 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 available-for-sale and financial assets at fair value through profit and loss are measured at fair value by reference to quoted market prices.
- (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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33. 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
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Investments in associates	4,953,389	7,656,944	4,694,054	8,388,046
Loans and receivables	13,924	13,780	38,843	38,239
	<u>4,967,313</u>	<u>7,670,724</u>	<u>4,732,897</u>	<u>8,426,285</u>
	The Company			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
Investments in associates	22,296	303,122	22,296	289,650
Loans and receivables	3,995	3,874	3,757	3,934
	<u>26,291</u>	<u>306,996</u>	<u>26,053</u>	<u>293,584</u>
	The Group			
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities				
Long term liabilities (including current portion)	393,570	378,403	571,263	591,596
	<u>393,570</u>	<u>378,403</u>	<u>571,263</u>	<u>591,596</u>
	The Company			
	2007	2007	2006	2006
	\$'000	\$'000	\$'000	\$'000
Long term liabilities (including current portion)	1,000	1,005	22,351	22,689
	<u>1,000</u>	<u>1,005</u>	<u>22,351</u>	<u>22,689</u>

34. 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.

