

**Pan-Jamaican Investment  
Trust Limited**

**Financial Statements  
31 December 2008**

# Pan-Jamaican Investment Trust Limited

Index

31 December 2008

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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 consolidated financial statements of Pan-Jamaican Investment Trust Limited, its subsidiaries and associated companies, and the accompanying financial statements of Pan-Jamaican Investment Trust Limited standing alone, set out on pages 1 to 80, which comprise the consolidated and company balance sheet as of 31 December 2008 and the consolidated and company statement of operations, statement of changes in stockholders' equity and statement of cash flows 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 2008 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

2 March 2009  
Kingston, Jamaica

# Pan-Jamaican Investment Trust Limited

## Consolidated Statement of Operations

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 \$'000	Restated 2007 \$'000
<b>Income</b>			
Investments	5	376,649	281,204
Property	6	1,125,567	961,288
Commissions		23,317	20,713
Other	6	61,578	111,321
		1,587,111	1,374,526
Operating expenses	7	(688,280)	(582,504)
<b>Operating Profit</b>		898,831	792,022
Interest expense		(44,990)	(30,581)
Share of results of associated companies		845,962	739,304
<b>Profit before Taxation</b>		1,699,803	1,500,745
Taxation	10	(82,532)	(127,838)
<b>NET PROFIT</b>		1,617,271	1,372,907
<b>Attributable to:</b>			
Equity holders of the company		1,142,247	991,109
Minority interest		475,024	381,798
		1,617,271	1,372,907
<b>Earnings per stock unit attributable to equity holders of the company during year</b>			
Basic	11	6.67	5.79
Fully diluted	11	6.55	5.69

# Pan-Jamaican Investment Trust Limited

## Consolidated Balance Sheet

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 \$'000	Restated 2007 \$'000
<b>ASSETS</b>			
<b>Cash and Bank Balances</b>	12	14,193	102,850
<b>Investments</b>			
Deposits	12	45,933	161,610
Securities:			
Financial assets at fair value through profit and loss	13	119,290	130,293
Available-for-sale	13	1,966,575	1,404,882
Loans and receivables	13	20,426	13,924
Securities purchased under agreements to resell	14	276,621	383,325
Investment properties	15	3,274,823	2,914,400
Investment in associated companies	16	4,842,899	4,953,389
		10,546,567	9,961,823
Taxation recoverable		91,302	98,745
Deferred tax assets	17	25,681	8,796
Other assets	18	300,217	270,327
Property, plant and equipment	19	98,173	108,292
Retirement benefit assets	20	42,623	41,782
		<u>11,118,756</u>	<u>10,592,615</u>

# Pan-Jamaican Investment Trust Limited

Consolidated Balance Sheet (Continued)

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 \$'000	Restated 2007 \$'000
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
<b>Capital and Reserves Attributable to the Company's Equity Holders</b>			
Share capital	25	185,354	185,354
Equity compensation reserve	26	27,107	16,663
Property revaluation reserve	27	1,775,005	1,527,859
Investment and other reserves	28	1,875,061	2,521,443
Retained earnings		3,586,705	2,862,865
Treasury stock		(18,486)	(18,486)
		7,430,746	7,095,698
<b>Minority Interest</b>		2,710,479	2,515,737
		<u>10,141,225</u>	<u>9,611,435</u>
<b>Liabilities</b>			
Bank overdrafts	12	1,203	17,738
Taxation payable		267	119,678
Deferred tax liabilities	17	110,047	128,978
Retirement benefit liabilities	20	62,924	57,048
Due to related parties	21	5,225	10,318
Other liabilities	22	293,153	248,839
Loan liabilities	23	495,950	393,570
Finance lease liability	24	8,762	5,011
		977,531	981,180
		<u>11,118,756</u>	<u>10,592,615</u>

Approved for issue by the Board of Directors on 2 March 2009 and signed on its behalf by:

Maurice W. Facey

Director

Stephen B. Facey

Director

# Pan-Jamaican Investment Trust Limited

## Consolidated Statement of Changes in Stockholders' Equity

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

		Attributable to Company's Equity Holders							
Note	Share Capital \$'000	Equity Compensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Treasury Stock \$'000	Minority Interest \$'000	Total \$'000	
	Balance at 1 January 2008, as restated	185,354	16,663	1,527,859	2,521,443	2,862,865	(18,486)	2,515,737	9,611,435
	Fair value losses on available-for-sale securities	-	-	-	(201,408)	-	-	(53,589)	(254,997)
	Gain on dilution on shareholding in associated company	-	-	-	1,079	-	-	400	1,479
	Realised fair value gains transferred to Consolidated Statement of Operations	-	-	-	(42,265)	-	-	(15,668)	(57,933)
	Net losses recognised directly in equity	-	-	-	(242,594)	-	-	(68,857)	(311,451)
	Net profit for the year	-	-	-	-	1,142,247	-	475,024	1,617,271
	Total recognised (losses)/income for 2008	-	-	-	(242,594)	1,142,247	-	406,167	1,305,820
	Dividends paid	-	-	-	-	(171,261)	-	-	(171,261)
	Dividends paid to minority shareholders	-	-	-	-	-	-	(64,690)	(64,690)
	Share compensation provision	-	10,444	-	-	-	-	2,959	13,403
	Share of change in reserves of associated company	-	-	-	(403,788)	-	-	(149,694)	(553,482)
	Transfer from retained earnings	-	-	247,146	-	(247,146)	-	-	-
		-	10,444	247,146	(403,788)	(418,407)	-	(211,425)	(776,030)
	<b>Balance at 31 December 2008</b>	<b>185,354</b>	<b>27,107</b>	<b>1,775,005</b>	<b>1,875,061</b>	<b>3,586,705</b>	<b>(18,486)</b>	<b>2,710,479</b>	<b>10,141,225</b>



# Pan-Jamaican Investment Trust Limited

Consolidated Statement of Changes in Stockholders' Equity (Continued)

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Attributable to Company's Equity Holders						Total \$'000	
		Share Capital \$'000	Equity Compensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Treasury Stock \$'000		Minority Interest \$'000
Balance at 1 January 2007	35	185,354	1,913	-	2,626,572	4,195,662	(18,486)	2,463,379	9,454,394
Fair value gains on available-for-sale securities		-	-	-	82,097	-	-	28,457	110,554
Gain on dilution on shareholding in associated company	8	-	-	-	7,942	-	-	2,944	10,886
Realised fair value gains transferred to Consolidated Statement of Operations		-	-	-	(42,179)	-	-	(15,636)	(57,815)
Net gains recognised directly in equity		-	-	-	47,860	-	-	15,765	63,625
Net profit for the year, as restated	35	-	-	-	-	991,109	-	381,798	1,372,907
Total recognised income for 2007		-	-	-	47,860	991,109	-	397,563	1,436,532
Dividends paid	29	-	-	-	-	(796,047)	-	-	(796,047)
Dividends paid to minority shareholders		-	-	-	-	-	-	(292,668)	(292,668)
Share compensation provision	26	-	14,750	-	-	-	-	4,179	18,929
Share of change in reserves of associated company		-	-	-	(152,989)	-	-	(56,716)	(209,705)
Transfer from retained earnings	27	-	-	1,527,859	-	(1,527,859)	-	-	-
			14,750	1,527,859	(152,989)	(2,323,906)	-	(345,205)	(1,279,491)
<b>Balance at 31 December 2007, as restated</b>	35	185,354	16,663	1,527,859	2,521,443	2,862,865	(18,486)	2,515,737	9,611,435

# Pan-Jamaican Investment Trust Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 \$'000	Restated 2007 \$'000
<b>Cash Flows from Operating Activities</b>	30	<u>250,844</u>	<u>534,532</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	19	(15,446)	(33,069)
Acquisition of investment properties	15	(8,614)	(55,414)
Proceeds from disposal of property, plant and equipment		-	1,092
Dividends from associates		404,460	281,162
Acquisition of investment securities, net		<u>(718,369)</u>	<u>602,050</u>
Net cash (used in)/provided by investing activities		<u>(337,969)</u>	<u>795,821</u>
<b>Cash Flows from Financing Activities</b>			
Due from related parties		(5,103)	(30,038)
Loans received		508,827	135,000
Loans repaid		(437,768)	(327,036)
Loans interest repaid		(41,237)	(30,581)
Finance lease received		3,751	-
Dividends paid to minority interest		(64,690)	(292,668)
Dividends paid to company stockholders		<u>(171,261)</u>	<u>(796,047)</u>
Net cash used in financing activities		<u>(207,481)</u>	<u>(1,341,370)</u>
Net decrease in cash and cash equivalents		(294,606)	(11,017)
Effect of exchange rate changes on cash and cash equivalents		24,749	12,031
Cash and cash equivalents at beginning of year		<u>568,280</u>	<u>567,266</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	12	<u><u>298,423</u></u>	<u><u>568,280</u></u>

# Pan-Jamaican Investment Trust Limited

Company Statement of Operations

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

		2008	Restated
	Note	\$'000	2007 \$'000
<b>Income</b>			
Investments	5	227,539	841,235
Management fees	6	18,996	17,280
Miscellaneous	6	11,763	11,573
		<u>258,298</u>	<u>870,088</u>
<b>Expenses</b>			
Operating expenses	7	75,773	83,613
Interest expense		108	3,417
		<u>75,881</u>	<u>87,030</u>
<b>Profit before Taxation</b>		182,417	783,058
Taxation	10	-	2,055
<b>Net Profit</b>		<u>182,417</u>	<u>785,113</u>

# Pan-Jamaican Investment Trust Limited

Company Balance Sheet

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 \$'000	Restated 2007 \$'000
<b>ASSETS</b>			
<b>Cash and Bank Balances</b>	12	3,703	81,290
<b>Investments</b>			
Short term deposits	12	-	12,004
Available-for-sale securities	13	230,817	245,507
Loans and receivables	13	12,149	3,995
Investment in subsidiaries	16	67,671	67,671
Investment in associated companies	16	22,296	22,296
		332,933	351,473
Due from related parties	21	218,893	215,495
Taxation recoverable		9,521	9,199
Deferred tax assets	17	1,240	1,240
Other assets	18	4,724	4,580
Property, plant and equipment	19	5,375	5,479
Retirement benefit assets	20	2,997	2,467
		<u>579,386</u>	<u>671,223</u>

# Pan-Jamaican Investment Trust Limited

Company Balance Sheet (Continued)

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 \$'000	Restated 2007 \$'000
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
Share capital	25	185,354	185,354
Equity compensation reserve	26	6,390	3,928
Investment and other reserves	28	153,630	193,722
Retained earnings		154,643	145,761
		500,017	528,765
<b>Liabilities</b>			
Bank overdraft	12	717	-
Taxation payable		267	267
Due to related parties	21	4,650	80,652
Other liabilities	22	49,024	37,189
Retirement benefit liabilities	20	18,958	18,339
Loan liabilities	23	1,000	1,000
Finance lease liability	24	4,753	5,011
		79,369	142,458
		579,386	671,223

Approved for issue by the Board of Directors on 2 March 2009 signed on its behalf by:

Maurice W. Facey

Director

Stephen B. Facey

Director

# Pan-Jamaican Investment Trust Limited

## Company Statement of Changes in Stockholders' Equity

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Equity Compensation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2007	35	185,354	451	191,886	167,586	545,277
Gains recognised directly in equity - Fair value gains on available-for-sale securities		-	-	1,836	-	1,836
Net profit, as restated	35	-	-	-	785,113	785,113
Total recognised gains for 2007		-	-	1,836	785,113	786,949
Stock compensation provision		-	3,477	-	-	3,477
Dividends paid		-	-	-	(806,938)	(806,938)
<b>Balance at 31 December 2007, restated</b>	35	185,354	3,928	193,722	145,761	528,765
Losses recognised directly in equity - Fair value losses on available-for-sale securities		-	-	(40,092)	-	(40,092)
Net profit		-	-	-	182,417	182,417
Total recognised (losses)/ income for 2008		-	-	(40,092)	182,417	142,325
Stock compensation provision		-	2,462	-	-	2,462
Dividends paid		-	-	-	(173,535)	(173,535)
<b>Balance at 31 December 2008</b>		185,354	6,390	153,630	154,643	500,017

# Pan-Jamaican Investment Trust Limited

## Company Statement of Cash Flows

Year ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

		2008	Restated
	Note	\$'000	2007 \$'000
<b>Cash Flows from Operating Activities</b>	30	<u>170,366</u>	<u>803,185</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	19	(2,876)	-
Investment securities, net		<u>(4,587)</u>	<u>37,684</u>
Net cash (used in)/provided by investing activities		<u>(7,463)</u>	<u>37,684</u>
<b>Cash Flows from Financing Activities</b>			
Due (from)/to related parties		(79,400)	84,331
Loans repaid		-	(23,228)
Loans interest repaid		(108)	(3,417)
Finance lease repaid		(258)	-
Dividends paid	29	<u>(173,535)</u>	<u>(806,938)</u>
Net cash used in financing activities		<u>(253,301)</u>	<u>(749,252)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(90,398)</u>	<u>91,617</u>
Effect of exchange rate changes on cash and cash equivalents		90	-
Cash and cash equivalents at beginning of year		<u>93,294</u>	<u>1,677</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	12	<u><u>2,986</u></u>	<u><u>93,294</u></u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2008

(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%
Imbrook Properties Limited	Property Development	-	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%
St Andrew Developers Limited	Property Development	-	66 2/3%
Knutsford Holdings Limited	Office Rental	-	60%
Panacea Holdings Limited (Incorporated in St. Lucia)	Captive Insurance	100%	-
Panacea Insurance Limited (Incorporated in St. Lucia)	Captive Insurance		100%
<b>Associated Companies</b>			
Hardware & Lumber Limited	Trading	20.83%	-
Sagicor Life Jamaica Limited	Insurance and Pension Management	-	24.51%
Impan Properties Limited	Office Rental		20%



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

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### 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 investment property, available-for-sale financial assets, and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its 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 2008 that are relevant to the group's operations

- **IFRIC 11, IFRS 2 Group and treasury share transactions.** This interpretation provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash settled share-based payment transactions in the stand-alone accounts of the parent and group companies. In applying this interpretation, the company has restated prior year financial statements to account for its participation in the group stock option plan in accordance with the relevant requirements.
- **IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.** 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 interpretation does not have any impact on the group's financial statements.
- **IAS 39 (Amendment), 'Financial instruments: recognition and measurement'.** Permits the following reclassifications of certain non-derivative financial assets: (1) Financial assets classified as held-for-trading may be reclassified from the fair value through profit or loss category to another category in rare circumstances, or, if the financial asset was eligible for classification as loans and receivables at the date of reclassification; (2) Financial assets classified as available-for-sale may be reclassified to loans and receivables if, at the date of reclassification, the financial asset would have been eligible for classification as loans and receivables. The amendment does not have any impact on the group's financial statements as the group elected not to reclassify its investments.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

##### Amendments to published standards and interpretations effective 1 January 2008 that are relevant to the group's operations (continued)

- **IFRS 7 (Amendment), 'Financial instruments: disclosures'**. For financial assets reclassified in accordance with IAS 39 (amendment), an entity is required to disclose details of carrying amounts and fair values until they are derecognised, together with details of the fair value gain or loss that would have been recognised in the profit and loss or equity if the financial asset had not been reclassified. As the group has not reclassified any of its financial instruments under IAS 39 (Amendment), this amendment has had no impact of the group's financial statements.

The following interpretation to an existing standard is mandatory for the current and future accounting periods but is not relevant to the group's operations.

#### IFRIC 12, 'Service concession arrangements'

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

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but were not effective at the 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 immediately relevant to its operations, and has concluded as follows:

- **IAS 1 (revised) and (amendment) – Presentation of financial statements.** Under this revised standard, recognised income and expenses are to be presented in a single statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity. Components of other comprehensive income may not be presented in the statement of changes in equity. Both the statement of comprehensive income and the statement of changes in equity are to be included as primary statements. The balance sheet is to be referred to as the 'statement of financial position' and the cash flow statement is to be referred to as the 'statement of cash flows'. The group will be required to disclose the income tax related to each component of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements. The group should also present a statement of financial position as at the beginning of the earliest comparative period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassifies items in the financial statements. The group will apply the revised standard for financial statements presented in the 2009 financial year.
- **IFRS 8 – Operating Segments.** 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.

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

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

- **IFRS 2 (Amendment) – Share-based payment.** The amendment narrows the definition of vesting conditions, clarifying that vesting conditions are limited only to service and performance conditions. Management has assessed the standard and has determined that there is no material impact on the group's financial statements.
- **IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows').** Entities whose ordinary activities comprise renting and subsequently selling assets should present proceeds from the sale of those assets as revenue, and the carrying amount of the asset should be transferred to inventories when the asset becomes held for sale. Cash flows arising from purchase, rental and sale of those assets are to be classified as cash flows from operating activities. Management has assessed the amendment and has concluded that it will have no material impact on the group's financial statements.
- **IAS 23 (Amendment) – Borrowing Costs.** The amendment to the standard requires the capitalisation of 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 it is currently not applicable to the group as there are no qualifying assets.
- **IAS 19 (Amendment), 'Employee benefits'.** The amendment to the standard clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, and an amendment that changes benefits attributable to past service gives rise to a negative past service cost, if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits is now based on whether benefits are due to be settled within or after 12 months of employee service being rendered. Under the amendment, guidance that states IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' requires contingent liabilities to be recognised has been removed. The group will apply the amendment to IAS 19 from 1 January 2009, but it is not expected to have an impact on the group's financial statements.
- **IAS 27 (Amendment), 'Consolidated and separate financial statements'.** This amendment to the standard stipulates that where an investment in a subsidiary that is accounted for under IAS 39 is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 (as opposed to IFRS 5) would continue to be applied. This amendment is not relevant to the group as companies within the group account for subsidiaries at cost in the stand alone accounts of the parent companies.

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

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

- **IAS 28 (Amendment), 'Investments in associates'** (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'). The amendment to the standard stipulates that where an investment in associated companies is accounted for in accordance with IAS 39 only certain (rather than all) disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32/IFRS 7. An investment in associated companies is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply the relevant sections of the amendment from 1 January 2009.
- **IAS 36 (Amendment), 'Impairment of assets'** The amendment stipulates that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.
- **IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16)'**. The amendment to the standard stipulates that property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable.
- **IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for 1 July 2009)**. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- **IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009)**. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

# Pan-Jamaican Investment Trust Limited

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

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

The group has concluded that the following standards, interpretations and amendments to existing standards, which are published but not yet effective are not relevant to its operations and will therefore have no material impact on adoption:

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'

IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27 (Amendment),

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'

IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7)

IAS 32 (Amendment), 'Financial instruments: Presentation' and IAS 1 (Amendment), 'Presentation of financial instruments' – 'Puttable financial instruments and obligations arising on liquidation'

IAS 38 (Amendment), 'Intangible assets'

Amendment to IAS 39, 'Eligible hedged items'

IAS 41 (Amendment), 'Agriculture'

IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption')

IFRIC 13, 'Customer loyalty programmes'

IFRIC 15, 'Agreements for the construction of real estate'

IFRIC 16, 'Hedges of a net investment in a foreign operation'

IFRIC 17, 'Distributions of non-cash assets to owners'

IFRIC 18, 'Transfers of assets from customers'

# Pan-Jamaican Investment Trust Limited

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## 2. Summary of Significant Accounting Policies (Continued)

### (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 with 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

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### 2. Summary of 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 balance sheet, investments in associates are shown at cost.

Effective January 1, 2008, the group has elected to recognise dilution gains and losses in investments associated companies in the consolidated statement of changes in stockholders' equity. Prior to this date, such items were recognised in the consolidated statement of operations. The 2007 financial statements have been restated to reflect the effect of the change in accounting policy

#### (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) Dividend income

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

##### (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. Rental income and maintenance charges are recognised on an accrual basis over the life of the building occupancy by tenants. Investment properties are valued on an annual basis by external professional valuers and the change in the fair value is recognised on the statement of operations.

##### (iv) Commission income

Commissions are recognised as revenue on an accrual basis.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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### 2. Summary of 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.

Changes in the fair value of monetary assets denominated in foreign currencies and classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes. Translation differences resulting from the changes amortised cost are recognised in the statement of operations, and other changes are recognised in stockholders' equity.

Translation differences on non-monetary items such as equities classified as available-for-sale are included in the fair value reserve.

#### (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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## 2. Summary of 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, cash and bank balances and other assets. 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 payable, 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, short term deposits banks and bank overdrafts.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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### 2. Summary of 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 cost 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 investment income.

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

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## 2. Summary of 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.
- (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.

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

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### 2. Summary of 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. If such subsequent cost relates to a replaced part, 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 & Equipment	10% & 12½%
Assets capitalized under finance leases	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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## 2. Summary of 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. Summary of Significant Accounting Policies (Continued)

#### (I) Employee benefits (continued)

##### (ii) Other post-employment benefits

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions 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 the statement of operations 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. Effective January 1, 2008 the fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the company which is the primary recipient of the employee's services. The total amount expensed over the vesting period is determined by reference to the fair value of the options 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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Notes to the Financial Statements

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## 2. Summary of 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 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 fair value gains and losses on investments classified as available-for-sale are taken to stockholders' equity.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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### 2. Summary of Significant Accounting Policies (Continued)

**(p) 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.

**(q) Dividends**

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

**(r) 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.

**(s) 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.

**(t) 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.



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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### 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-employment 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-employment benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost or income recorded for pension and post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The group determines the appropriate 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-employment 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.

# Pan-Jamaican Investment Trust Limited

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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.

	2008				
	Investment Management Services	Property Management Services	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	313,662	1,218,854	54,595	-	1,587,111
Operating revenue from other segments	7,752	6,315	-	(14,067)	-
Operating revenue	<u>321,414</u>	<u>1,225,169</u>	<u>54,595</u>	<u>(14,067)</u>	<u>1,587,111</u>
Segment result	276,059	536,727	41,055	-	853,841
Share of results of associated companies					<u>845,962</u>
Profit before taxation					1,699,803
Taxation					<u>(82,532)</u>
Net profit					<u>1,617,271</u>
Segment assets	2,368,008	3,879,746	246,456	(218,353)	6,275,857
Associates					<u>4,842,899</u>
Total assets					<u>11,118,756</u>
Segment liabilities	<u>622,250</u>	<u>315,956</u>	<u>257,678</u>	<u>(218,353)</u>	<u>977,531</u>
Other segment items:					
Capital expenditure	2,876	12,570	-	-	15,446
Depreciation	<u>2,980</u>	<u>3,287</u>	<u>427</u>	<u>83</u>	<u>6,744</u>

# Pan-Jamaican Investment Trust Limited

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### 4. Segmental Financial Information (Continued)

	2007				
	Investment Management Services	Property Management Services	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	296,475	1,039,208	38,843		1,374,526
Operating revenue from other segments	-	5,195	-	(5,195)	
Operating revenue	296,475	1,044,403	38,843	(5,195)	1,374,526
Segment result	295,269	438,297	27,875	-	761,441
Share of results of associated companies					739,304
Profit before taxation					1,500,745
Taxation					(127,838)
Net profit					1,372,907
Segment assets	2,128,529	3,501,893	226,702	(217,898)	5,639,226
Associates					4,953,389
Total assets					10,592,615
Segment liabilities	559,930	389,606	249,542	(217,898)	981,180
Other segment items:					
Capital expenditure	-	33,069	-	-	33,069
Depreciation	2,469	2,719	-	83	5,271

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## 5. Investment Income

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Income</b>				
Interest on securities and loans	179,130	166,165	21,689	22,311
Realised gains on disposal of securities, net	73,401	50,147	-	-
Fair value (losses)/gains on financial assets at fair value through profit & loss	(67,106)	13,657	-	-
Impairment loss on investment	(14,239)	-	-	-
Foreign exchange gains, net	175,648	38,424	28,265	10,597
Dividends	30,461	10,549	177,405	806,955
Other	180	3,218	180	1,372
	<u>377,475</u>	<u>282,160</u>	<u>227,539</u>	<u>841,235</u>
<b>Direct Expenses</b>				
Investment expense	(826)	(956)	-	-
	<u>376,649</u>	<u>281,204</u>	<u>227,539</u>	<u>841,235</u>

## 6. Property and Other Income

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Rental income	786,798	641,030	-	-
Fair value gains on property valuation (note15)	338,769	320,258	-	-
	<u>1,125,567</u>	<u>961,288</u>	<u>-</u>	<u>-</u>
Management fees	44,393	35,475	18,996	17,280
Miscellaneous income	17,185	75,846	11,763	11,573
	<u>61,578</u>	<u>111,321</u>	<u>30,759</u>	<u>28,853</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.

# Pan-Jamaican Investment Trust Limited

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### 7. Operating Expenses by Nature

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Direct cost of property management	396,389	309,274	-	-
Staff costs (Note 9)	124,833	132,927	25,070	36,771
Directors fees	27,590	26,399	17,312	16,924
Professional fees	43,632	27,409	9,187	7,392
Auditor's remuneration	12,196	10,313	3,175	2,700
Information technology services	10,241	8,009	598	225
Office expense	6,005	4,543	1,846	1,475
Public relations, advertising and promotion	7,295	6,493	4,182	4,572
Donations	10,591	9,474	5,892	4,718
Bad debts	8,540	-	-	791
Depreciation	6,744	5,271	2,980	2,470
Other	34,224	42,392	5,531	5,575
	<u>688,280</u>	<u>582,504</u>	<u>75,773</u>	<u>83,613</u>

### 8. Gain on Dilution of Shareholding in Associated Company

During 2008 and 2007 an associated company, Sagicor Life Jamaica, issued ordinary shares to its employees through its ESOP scheme. The issues have reduced the company's holding to the current level of 24.51% (2007 – 24.53%). The gain in 2008 of \$1,479,000 from the shares issued has been recorded in capital reserves. The 2007 financial statements have been restated to reflect the gain of \$10,886,000 as an increase in the capital reserves, consequent on a change in the group's accounting policy regarding gains on dilution in shareholdings of associated companies (Note 35). In the prior financial period, these gains were recorded in the consolidated statement of operations.

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## 9. Staff Costs

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Wages and salaries	80,553	82,877	14,775	22,254
Statutory contributions	5,212	4,751	703	1,410
Pension - funded (Note 20(a))	4,917	13,939	(5)	2,343
Pension – unfunded (Note 20(b))	1,649	1,627	1,649	1,627
Other post employment benefits (Note 20(c))	7,982	5,668	991	932
Stock compensation expense (Note 26)	13,403	18,929	2,462	3,477
Other	11,117	5,136	4,495	4,728
	<u>124,833</u>	<u>132,927</u>	<u>25,070</u>	<u>36,771</u>

## 10. Taxation

### (a) Composition of tax charge

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

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current income tax at 33 $\frac{1}{3}$ %	110,016	154,320	-	-
Deferred income taxes (Note 17)	(27,484)	(26,482)	-	(2,055)
	<u>82,532</u>	<u>127,838</u>	<u>-</u>	<u>(2,055)</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 \$69,069,000 (2007 - \$69,415,000).

# Pan-Jamaican Investment Trust Limited

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### 10. Taxation (Continued)

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

	The Group		The Company	
	2008 \$'000	Restated 2007 \$'000	2008 \$'000	Restated 2007 \$'000
Current income tax				
Profit before tax	1,699,803	1,500,745	182,417	783,058
Tax at 33 ⅓%	566,601	500,248	60,806	261,019
Effects of:				
Income not subject to tax	(207,905)	(126,252)	(66,629)	(264,428)
Share of associates' profit included net of tax	(281,987)	(246,435)	-	-
Expenses not deductible for tax purposes	1,534	1,580	1,534	1,354
Other charges and credits	4,289	(1,303)	4,289	-
Income tax expense/(credit)	82,532	127,838	-	(2,055)

Income not subject to tax consists principally of property revaluation gains for the group and dividend income for the company.

### 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.

	2008	Restated 2007
Net profit attributable to stockholders (\$'000)	1,142,247	991,109
Weighted average number of stock units in issue (thousands)	171,299	171,299
Basic earnings per stock unit (\$)	\$6.67	\$5.79

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:

	<b>2008</b>	<b>Restated 2007</b>
Net profit used to determine fully diluted earnings per stock unit (\$'000)	1,142,247	991,109
Weighted average number of ordinary stock units (thousands)	171,299	171,299
Adjustments for share options (thousands)	3,063	3,063
Weighted average number of stock units for diluted earnings per stock unit (thousands)	174,362	174,362
Fully diluted earnings per stock unit	<u>\$6.55</u>	<u>\$5.69</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.

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances	14,193	102,850	3,703	81,290
Short term deposits	8,812	99,843	-	12,004
Securities purchased under agreements to resell (Note 14)	276,621	383,325	-	-
	<u>299,626</u>	<u>586,018</u>	<u>3,703</u>	<u>93,294</u>
Bank overdrafts	(1,203)	(17,738)	(717)	-
	<u>298,423</u>	<u>568,280</u>	<u>2,986</u>	<u>93,294</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 \$45,933,000 and nil (2007- \$161,610,000 and \$12,004,000) of which \$8,812,000 and nil (2007 - \$99,843,000 and \$12,004,000) had original maturity dates not exceeding 90 days for the group and the company respectively.



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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### 13. Investment Securities

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial assets at fair value through profit and loss	119,290	130,293	-	-
Available-for-sale:				
Debt securities -				
Government of Jamaica	712,336	777,332	227,345	240,547
Corporate	810,228	11,386	-	-
Equity securities -				
Quoted	444,011	616,164	3,472	4,960
	<u>1,966,575</u>	<u>1,404,882</u>	<u>230,817</u>	<u>245,507</u>
Loans and receivable -				
Other	18,986	11,041	10,709	2,555
Interest receivable	1,440	2,883	1,440	1,440
	<u>20,426</u>	<u>13,924</u>	<u>12,149</u>	<u>3,995</u>

All of the group's financial assets at fair value through profit and loss are held for trading. Included in the available for sale securities above is interest receivable amounting to \$45,162,000 and \$6,231,000 (2007 - \$17,125,000 and \$1,578,000) for the group and the company respectively.

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

Investments with par value of US\$7,000,000 (2007 – US\$3,000,000) have been pledged as collateral for loans granted to the group (Note 23)

### 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 \$276,621,000 (2007 - \$383,325,000), 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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At 1 January	2,914,400	2,527,451	-	-
Acquired during the year	8,614	55,414	-	-
Transferred from capital work-in-progress	13,040	11,277	-	-
Fair value gains (note 6)	338,769	320,258	-	-
At 31 December	<u>3,274,823</u>	<u>2,914,400</u>	<u>-</u>	<u>-</u>

Property income and direct expenses including repairs and maintenance in relation to investment properties are as follows:

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Rental income	786,798	641,030	-	-
Direct costs	<u>(396,389)</u>	<u>(309,274)</u>	<u>-</u>	<u>-</u>

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

### 16. Investment in Subsidiaries and Associated Companies

	The Group		The Company	
	2008	2007	2008	2007
	\$'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
	<u>-</u>	<u>-</u>	<u>67,671</u>	<u>67,671</u>

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## 16. Investment in Subsidiaries and Associated Companies (Continued)

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Associated companies -				
Sagicor Life Jamaica Limited				
Shareholding at cost	3,493,066	3,493,066	-	-
Share of profit	2,835,209	1,872,393	-	-
Dividends received	(1,047,930)	(643,470)	-	-
Share of reserves	(599,110)	(45,628)	-	-
Gain on dilution of holding	27,817	26,338	-	-
	<u>4,709,052</u>	<u>4,702,699</u>	<u>-</u>	<u>-</u>
Hardware and Lumber Limited				
Shareholding at cost	22,296	22,296	22,296	22,296
Share of profit	20,218	78,981	-	-
Dividends received	(5,389)	(5,389)	-	-
Impairment loss	(58,090)	-	-	-
Share of capital reserves	155,684	155,684	-	-
	<u>134,719</u>	<u>251,572</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	(8,895)	(8,905)	-	-
	<u>(872)</u>	<u>(882)</u>	<u>-</u>	<u>-</u>
	<u>4,842,899</u>	<u>4,953,389</u>	<u>22,296</u>	<u>22,296</u>
Comprising:				
Share of net assets	3,943,534	4,054,024	-	-
Goodwill	899,365	899,365	-	-
	<u>4,842,899</u>	<u>4,953,389</u>	<u>-</u>	<u>-</u>

Included in the share of results of associated companies, is an impairment charge of \$58,090,000 in relation to the group's investment in Hardware and Lumber Limited.

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### 16. Investment in Subsidiaries and Associated Companies (Continued)

The assets, liabilities, revenue and net profit or (loss) of the associates as at and for the years ended 31 December 2008 and 2007 are as follows:

	Assets \$'000	Liabilities \$'000	Minority Interest \$'000	Revenue \$'000	Net Profit/(loss) \$'000
<b>2008</b>					
Sagikor Life Jamaica Limited	117,791,415	98,202,534	4,045,061	28,258,937	3,928,094
Hardware and Lumber Limited	3,414,145	2,325,394	-	6,788,162	(285,627)
Impan Properties Limited	44,119	4,012	-	-	-
	<u>121,249,679</u>	<u>100,531,940</u>	<u>4,045,061</u>	<u>35,047,099</u>	<u>3,642,467</u>
<b>2007</b>					
Sagikor Life Jamaica Limited	87,069,730	67,165,752	4,396,953	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>69,304,778</u>	<u>4,396,953</u>	<u>23,612,007</u>	<u>3,086,885</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 2008 and 2007.

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

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deferred tax assets	25,681	8,796	1,240	1,240
Deferred tax liabilities	(110,047)	(128,978)	-	-
Net (liability)/asset	<u>(84,366)</u>	<u>(120,182)</u>	<u>1,240</u>	<u>1,240</u>

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

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Balance at 1 January	(120,182)	(146,664)	1,240	(815)
Credited to investment reserves	8,332	-	-	-
Credited to statement of operations	27,484	26,482	-	2,055
Balance at 31 December	<u>(84,366)</u>	<u>(120,182)</u>	<u>1,240</u>	<u>1,240</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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Deferred income tax assets</b>				
Pensions and other post retirement benefits	11,010	9,412	4,486	4,486
Interest payable	17,915	20,547	-	-
Net lease obligations	2,543	727	626	626
Share option	10,775	7,128	1,309	1,309
Investment securities	26,674	-	-	-
Unrealised foreign exchange losses	975	3,462	-	-
Unutilised tax losses	2,758	2,423	-	-
	<u>72,650</u>	<u>43,699</u>	<u>6,421</u>	<u>6,421</u>
	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Deferred income tax liabilities</b>				
Property, plant and equipment	81	81	81	81
Investment securities	-	7,214	-	-
Pension benefits	13,143	12,834	822	822
Tax depreciation on investment property	101,303	100,727	-	-
Unrealised foreign exchange gains	12,615	13,999	3,775	3,775
Receivables	503	503	-	-
Other	10	230	-	-
Interest receivable	29,361	28,293	503	503
	<u>157,016</u>	<u>163,881</u>	<u>5,181</u>	<u>5,181</u>
Net (liability)/asset	<u>(84,366)</u>	<u>(120,182)</u>	<u>1,240</u>	<u>1,240</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 totaled \$4,617,000,000 at 31 December 2008 (2007 - \$3,471,000,000).

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### 17. Deferred Income Taxes (Continued)

The amounts shown in the balance sheet include the following:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deferred tax assets to be recovered after more than 12 months	35,052	9,412	4,486	4,486
Deferred tax assets to be recovered within 12 months	37,598	34,287	1,935	1,935
	<u>72,650</u>	<u>43,699</u>	<u>6,421</u>	<u>6,421</u>
Deferred tax liabilities to be settled after more than 12 months	122,698	113,561	903	903
Deferred tax liabilities to be settled within 12 months	34,318	50,320	4,278	4,278
	<u>157,016</u>	<u>163,881</u>	<u>5,181</u>	<u>5,181</u>
Net (liability)/asset	<u>(84,366)</u>	<u>(120,182)</u>	<u>1,240</u>	<u>1,240</u>

### 18. Other Assets

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Trade receivables	32,208	39,777	-	-
Inventories	2,151	2,181	-	-
Managed properties fees	39,082	18,316	-	-
Prepaid expenses	27,897	-	-	-
Other receivables	58,680	56,276	4,724	4,580
Deposits	96,333	108,881	-	-
Land awaiting development	43,866	42,501	-	-
Work-in-progress	-	2,395	-	-
	<u>300,217</u>	<u>270,327</u>	<u>4,724</u>	<u>4,580</u>

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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 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 2007	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
Additions	-	-	6,005	2,575	1,977	4,889	15,446
Disposals	-	-	-	-	(3,021)	(5,781)	(8,802)
Transfers	-	-	-	-	-	(13,040)	(13,040)
31 December 2008	65,964	14,325	28,455	14,324	11,483	13,850	148,401
Accumulated Depreciation -							
1 January 2007	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
Charge for year	1,269	-	769	2,865	1,841	-	6,744
Relieved on disposals	-	-	-	(1,718)	(1,303)	-	(3,021)
31 December 2008	4,525	9,711	19,635	4,874	11,483	-	50,228
Net Book Value -							
31 December 2008	61,439	4,614	8,820	9,450	-	13,850	98,173
31 December 2007	62,708	4,614	3,584	8,022	1,582	27,782	108,292

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 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 2007	199	3,820	11,749	957	16,725
31 December 2007	199	3,820	11,749	957	16,725
Additions	-	301	2,575	-	2,876
31 December 2008	199	4,121	14,324	957	19,601
Accumulated Depreciation -					
1 January 2007	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
Charge for the year	-	115	2,865	-	2,980
31 December 2008	199	3,156	9,914	957	14,226
Net Book Value -					
31 December 2008	-	965	4,410	-	5,375
31 December 2007	-	779	4,700	-	5,479



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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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 2008.

The amounts recognised in the balance sheet comprise:

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Funded pension obligations (Note 20(a))	42,623	41,782	2,997	2,467
<b>Liabilities</b>				
Unfunded pension obligations (Note 20(b))	13,491	13,457	13,491	13,457
Other (Note 20(c))	49,433	43,591	5,467	4,882
	<u>62,924</u>	<u>57,048</u>	<u>18,958</u>	<u>18,339</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Pension obligations - funded (Note 20(a))	4,917	13,939	(5)	2,343
Pension obligations – unfunded (Note 20(b))	1,649	1,627	1,649	1,627
<b>Other post-employment obligations:</b>				
Medical and life insurance (Note 20(c))	7,982	5,668	991	932
	<u>14,548</u>	<u>21,234</u>	<u>2,635</u>	<u>4,902</u>

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 20. Retirement Benefit (Continued)

### (a) Funded pension obligations

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

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Present value of funded obligations	125,800	122,061	13,023	16,278
Fair value of plan assets	(321,243)	(353,669)	(133,442)	(158,568)
	(195,443)	(231,608)	(120,419)	(142,290)
Unrecognised actuarial (losses)/gains	(50,718)	12,067	(25,216)	13,255
Unrecognised past service cost	203,538	177,759	142,638	126,568
Asset in the balance sheet	(42,623)	(41,782)	(2,997)	(2,467)

Sagicor Life Jamaica Limited, an associated company which manages the group's pension fund assets, has invested in ordinary stock units of the company and a subsidiary of the group with a fair value of \$297,623,000 and \$439,027,000 respectively (2007 – nil and \$608,475,000).

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 20. Retirement Benefit (Continued)

### (a) Funded pension obligations (continued)

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Beginning of year	122,061	119,951	16,278	14,836
Current service cost	3,800	3,733	375	352
Interest cost	13,223	12,916	1,111	1,658
Contributions by plan participants	4,682	4,344	405	431
Actuarial losses/(gains)	10,315	(13,669)	13,151	(795)
Benefits paid	(28,281)	(5,214)	(18,297)	(204)
End of year	<u>125,800</u>	<u>122,061</u>	<u>13,023</u>	<u>16,278</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Beginning of year	353,669	318,528	158,568	143,482
Expected return on plan assets	37,885	36,845	17,561	17,262
Actuarial losses	(52,470)	(6,051)	(25,320)	(2,936)
Employer contributions	5,758	5,217	525	533
Employee contributions	4,682	4,344	405	431
Benefits paid	(28,281)	(5,214)	(18,297)	(204)
End of year	<u>321,243</u>	<u>353,669</u>	<u>133,442</u>	<u>158,568</u>

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

(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:

	<u>The Group</u>		<u>The Company</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current service cost	3,800	3,733	375	352
Interest cost	13,223	12,916	1,111	1,658
Expected return on plan assets	(37,885)	(36,845)	(17,561)	(17,262)
Net actuarial gains recognised in year	-	(49)	-	(87)
Change in unrecognised asset	25,779	34,184	16,070	17,682
<b>Total</b>	<b>4,917</b>	<b>13,939</b>	<b>(5)</b>	<b>2,343</b>

The actual return on plan assets for 2008 was a loss of (\$10,028,000) and (\$6,157,000), (2007 – income of \$34,838,000 and \$15,274,000) for the group and the company, respectively.

The principal actuarial assumptions used were as follows:

	<u>The Group</u>		<u>The Company</u>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Discount rate	16.0	13.0	16.0	13.0
Expected return on plan assets	12.83	12.17	14.0	12.0
Future salary increases	13.0	9.75	13.0	13.0
Future pension increases	5.0	3.5	5.0	3.5

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 20. Retirement Benefit (Continued)

### (b) Unfunded Pension Obligations

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligations	13,491	13,457	13,491	13,457

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Beginning of year	13,457	13,445	13,457	13,445
Expense	1,649	1,627	1,649	1,627
Contributions paid	(1,615)	(1,615)	(1,615)	(1,615)
End of year	13,491	13,457	13,491	13,457

### (c) Other post-employment obligations

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

The main actuarial assumption is a long-term increase in health costs of 14.5% per year (2007 - 12%).

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

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligations	45,142	45,785	5,737	6,158
Unrecognised actuarial (losses)/gains	4,291	(2,194)	(270)	(1,276)
Liability in the balance sheet	49,433	43,591	5,467	4,882

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 20. Retirement Benefit (Continued)

### (c) Other post-employment obligations (continued)

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Beginning of year	45,785	35,757	6,158	4,484
Current service cost	2,030	1,642	143	411
Interest cost	5,817	4,163	775	521
Contributions by plan participants	(1,734)	(1,894)	-	-
Actuarial (gains)/ losses	(6,350)	6,394	(933)	1,019
Benefits paid	(406)	(277)	(406)	(277)
End of year	<u>45,142</u>	<u>45,785</u>	<u>5,737</u>	<u>6,158</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current service cost	2,030	1,642	143	411
Interest cost	5,817	4,163	775	521
Net actuarial losses/(gains) recognised during the year	135	(137)	73	-
Total, included in staff costs (Note 9)	<u>7,982</u>	<u>5,668</u>	<u>991</u>	<u>932</u>

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

	<b>Increase</b>	<b>Decrease</b>
Effect on the aggregate of the current service cost and interest cost	6,889	4,933
Effect on the defined benefit obligation	53,584	40,007

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

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## 20. Retirement Benefit (Continued)

### (c) Other post-employment obligations (continued)

Plan assets are comprised as follows:

	2008		2007	
	\$'000	%	\$'000	%
Equity	103,961	32	50,920	14
Debt	157,855	49	299,161	85
Other	59,427	19	3,588	1
	<u>321,243</u>	<u>100</u>	<u>353,669</u>	<u>100</u>

Movement in the defined benefit obligation is as follows:

	The Group			
	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000
Present value of defined obligation	184,433	181,303	169,243	189,846
Fair value of plan assets	(321,243)	(353,669)	(318,528)	(303,717)
Surplus	<u>(136,810)</u>	<u>(172,366)</u>	<u>(149,285)</u>	<u>(113,871)</u>
Experience adjustments on plan liabilities	2,831	(8,826)	(92)	31,375
Experience adjustments on plan assets	<u>52,470</u>	<u>6,051</u>	<u>(1,071)</u>	<u>(7,892)</u>

	The Company			
	2008	2007	2006	2005
	\$'000	\$'000	\$'000	\$'000
Present value of defined obligation	32,251	35,893	32,765	53,368
Fair value of plan assets	(133,442)	(158,568)	(143,482)	(145,427)
Surplus	<u>(101,191)</u>	<u>(122,675)</u>	<u>(110,717)</u>	<u>(92,059)</u>
Experience adjustments on plan liabilities	11,084	(1,527)	(2,522)	14,481
Experience adjustments on plan assets	<u>25,320</u>	<u>2,936</u>	<u>(1,803)</u>	<u>(2,667)</u>

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

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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	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Amounts due from related parties:				
Subsidiaries:				
Busha Browne's Company Limited	-	-	102,571	102,585
Portfolio Partners Limited	-	-	575	-
Jamaica Floral Exports Limited	-	-	90,434	90,410
Pan-Jamaican Mortgage Society Limited	-	-	386	386
Scott's Preserves Limited	-	-	24,927	22,114
	-	-	218,893	215,495
Amounts due to related parties:				
Subsidiaries:				
First Jamaica Investments Limited	-	-	1,540	77,193
Jamaica Property Company Limited	-	-	3,110	3,459
Associated companies				
Sagikor Life Jamaica Limited	5,225	5,225	-	-
Related company				
Pan Caribbean Financial Services Limited	-	5,093	-	-
	5,225	10,318	4,650	80,652
Net asset/(liability)	(5,225)	(10,318)	214,243	134,843



# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

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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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Subsidiaries				
Interest income	-	-	-	44
Management fees paid	-	-	18,996	17,278
Interest paid	-	-	-	(2,663)
Other	-	-	11,763	10,600
Associated companies				
Dividends received	404,460	281,162	-	5,389
Interest paid	-	(268)	-	(268)
Other related parties				
Rental income	54,160	47,306	-	-
Interest and other income earned	37,551	40,446	-	1,057
Interest and other expenses paid	(25,278)	(16,145)	-	-
Other expenses	(2,613)	(3,762)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Related Party Transactions and Balances (Continued)

(c) Key management compensation:

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	39,404	32,647	3,485	11,607
Statutory contributions	3,339	2,754	297	1,010
Post-employment benefits	1,901	(331)	22	222
Share-based compensation	13,403	18,928	2,462	1,472
	<u>58,047</u>	<u>53,998</u>	<u>6,266</u>	<u>14,311</u>
Directors emoluments				
Fees	5,593	4,833	3,430	2,720
Other	10,397	10,397	10,397	10,397
Management compensation (included above)	11,600	11,169	3,485	3,807
	<u>27,590</u>	<u>26,399</u>	<u>17,312</u>	<u>16,924</u>

(d) Loans from related parties

	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Loans from associates				
Balance at beginning of year	-	2,076	-	2,076
Interest charged	-	268	-	268
Payment	-	(2,344)	-	(2,344)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total loans from related parties				
Balance at beginning of year	253,720	468,815	-	-
Loans advanced during year	508,827	60,000	-	-
Loans repayments received	(404,698)	(284,119)	-	-
Interest charged	25,278	15,111	-	-
Interest paid	(22,168)	(15,111)	-	-
Foreign exchange loss	23,549	9,024	-	-
	<u>384,508</u>	<u>253,720</u>	<u>-</u>	<u>-</u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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### 22. Other Liabilities

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Promissory note – managed funds	24,729	25,039	-	-
Other liabilities and accrued expenses	226,217	191,819	32,031	23,570
Trade payables	23,961	17,109	-	-
Accounts payable	18,246	14,872	16,993	13,619
	<u>293,153</u>	<u>248,839</u>	<u>49,024</u>	<u>37,189</u>

### 23. Loan Liabilities

	Currency	Rate %	Repayable	The Group	
				2008 \$'000	2007 \$'000
Secured -					
(i) First Caribbean International Bank Limited	US\$	LIBOR + 2.875/3.65	2009	25,294	49,432
(ii) First Caribbean International Bank Limited	J\$	17.50	2017	70,236	73,557
(iii) Pan Caribbean Financial Services Limited	US\$	6.50	2008	-	193,720
(iv) Pan Caribbean Financial Services Limited	US\$	9.00	2010	59,972	-
(v) Pan Caribbean Financial Services Limited	J\$	14.50	2008	-	60,000
(vi) Pan Caribbean Financial Services Limited	US\$	8.50	2009	241,225	-
(vii) Pan Caribbean Bank Limited	US\$	9.00	2010	80,034	-
Unsecured -					
(viii) Bank of Nova Scotia Jamaica Limited	J\$	20.00	2008	-	1,497
(ix) JN Properties Limited	J\$	Variable	No fixed date	13,586	13,586
				<u>490,347</u>	<u>391,792</u>
Interest payable				5,603	1,778
				<u>495,950</u>	<u>393,570</u>

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

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## 23. Loan Liabilities (Continued)

	Currency	Rate %	Repayable	The Company	
				2008 \$'000	2007 \$'000
Secured -					
First Mortgage Debenture Stocks					
1989 – 2008		20.00	2010	1,000	1,000
				<u>1,000</u>	<u>1,000</u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2008

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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 instalments 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 in October and March. The loan is secured by a first mortgage charge over commercial Lots 195 - 198 (inclusive) Grenada Crescent, New Kingston.

- (ii) This loan was issued by FirstCaribbean International Bank Limited (FCIB) to assist with the extension of the multi-storey parking garage, construction of a well and other building upgrades. Interest rate on this loan is computed as FCIB's base rate less 1.75%. The loan is secured by a first mortgage over commercial lots 195 – 198 (inclusive) Grenada Crescent, New Kingston.
- (iii) This balance was made up of two demand loans issued by Pan Caribbean Financial Services Limited, secured by 10.5% Government of Jamaica Bond index bond with par value of US\$3,000,000. The loan was repaid in 2008.
- (iv) This balance represents US\$750,000 issued by Pan Caribbean Financial Services Limited. Interest is charged at a rate of 9.0% per annum. The loan is secured by a corporate Bond with face value of US\$1,500,000.00.
- (v) This represents a loan issued by Pan Caribbean Financial Services Limited, secured by investment securities valued at \$90,000,000. The loan was repaid in 2008.
- (vi) This represents a US\$3,016,746.00 loan issued by Pan Caribbean Financial Services Limited. Interest is charged at 8.50% per annum. The loan is secured by Government of Jamaica bonds with face value totalling US\$3,500,000.00
- (vii) The balance is made up of two loans issued by Pan Caribbean Bank Limited. The first loan is for US\$858,000. Interest is charged at a rate of 9.00% per annum. The loan is secured by a Corporate Bond with face value of US\$1,716,000.00

The second is for US\$142,000.00. Interest is charged at a rate of 9.00% per annum. The loan is secured by a Corporate Bond with face value of US\$284,000.00

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2008

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### 23. Loan Liabilities (Continued)

(viii) This represented three non-revolving demand loans issued by Bank of Nova Scotia Jamaica Limited. The loans were repaid in 2008.

(ix) 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.

### 24. Finance Lease Liability

The finance lease obligations are as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Minimum lease payments under finance leases:				
Not later than 1 year	6,088	2,906	4,013	2,906
Later than 1 year and not later than 5 years	3,960	3,043	1,292	3,043
	10,048	5,949	5,305	5,949
Future finance charges	(1,286)	(938)	(552)	(938)
Present value of finance lease obligations	8,762	5,011	4,753	5,011

The present value of the lease obligations is as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Not later than 1 year	5,674	2,232	3,599	2,232
Later than 1 year and not later than 5 years	3,088	2,779	1,154	2,779
	8,762	5,011	4,753	5,011

### 25. Share Capital

	2008	2007
	No. '000	No. '000
Authorised share capital of no par value -		
Ordinary shares	200,000	200,000
	\$'000	\$'000
Issued and fully paid - 173,535,078 stock units	185,354	185,354

# Pan-Jamaican Investment Trust Limited

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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 2008, 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 1,225,000 shares were vested and exercisable at 31 December 2008 (2007 – 612,500).

The group and the company have recognised share based compensation of \$13,403,000 and \$2,462,000 (2007 - \$18,929,000 and \$3,477,000) respectively. The 2007 financial statements have been restated to reflect \$15,452,000 of expenses in the results of a subsidiary; the amount was originally recorded by the company in 2007.

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, determined using this model, was \$9.31 to \$23.35.

The significant inputs into the model were as follows:

	<u>Share Options</u>
<b>Grant dates</b>	<b>2006</b>
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</u>	
	<b>2008</b>	<b>2007</b>
At 1 January	3,062,500	3,062,500
At 31 December	3,062,500	3,062,500

# Pan-Jamaican Investment Trust Limited

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### 27. Property Revaluation Reserve

The balance represents the accumulated revaluation gains on investment properties transferred from retained earnings.

### 28. Investment and Other Reserves

These comprise:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fair value (losses)/gains on investments	(73,849)	169,823	6,807	46,899
Capital reserves	1,815,065	1,813,986	146,823	146,823
Capital redemption reserves	2,176	2,176	-	-
Other reserves	131,659	535,458	-	-
	<u>1,875,061</u>	<u>2,521,443</u>	<u>153,630</u>	<u>193,722</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	425,365	424,286	-	-
Other	219,346	219,346	146,823	146,823
	<u>1,815,065</u>	<u>1,813,986</u>	<u>146,823</u>	<u>146,823</u>

Included in fair value (losses)/gains on investments for the group is deferred tax of \$8,332,000 on unrealised losses on investment assets.

### 29. Dividends

	2008 \$'000	2007 \$'000
First interim dividend for 2008 at \$0.25 (2007 - \$0.25) per stock unit – gross	43,384	43,384
Second interim dividend for 2008 at \$0.25 (2007 - \$4.00) per stock unit – gross	43,384	694,140
Third interim dividend for 2008 at \$0.25 (2007 - \$0.20) per stock unit – gross	43,384	34,707
Fourth interim dividend for 2008 at \$0.25 (2007 - \$0.20) per stock unit – gross	43,383	34,707
	<u>173,535</u>	<u>806,938</u>
Less: Dividends received on treasury stocks	(2,274)	(10,891)
	<u>171,261</u>	<u>796,047</u>



# Pan-Jamaican Investment Trust Limited

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### 30. Cash Flows from Operating Activities

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Net profit	1,617,271	1,372,907	182,417	785,113
Adjustments to reconcile net profit to cash flows provided by operating activities:				
Depreciation of property, plant and equipment	6,744	5,271	2,980	2,470
Stock compensation provision	13,403	18,929	2,462	3,477
Interest income	(179,130)	(166,165)	(21,689)	(22,311)
Interest expense	44,990	30,581	108	3,417
Share of results of associated companies	(845,962)	(739,304)	-	-
Income tax expense	82,532	127,838	-	(2,055)
Change in retirement benefit asset/obligation	5,035	12,231	89	2,477
Loss/(gains) on sale of property, plant and equipment	5,781	(1,092)	-	-
Fair value gains on investment properties	(338,769)	(320,258)	-	-
Gains on foreign currency denominated investment	(203,216)	(46,599)	(28,265)	(10,597)
Unrealised loss on foreign currency denominated loans	27,568	12,466	-	-
Unrealised losses/(gains) on financial assets at fair value through profit and loss	67,106	(13,657)	-	-
	<u>303,353</u>	<u>293,148</u>	<u>138,102</u>	<u>761,991</u>
Changes in operating assets and liabilities:				
Taxation recoverable	7,443	43,887	(322)	(343)
Other assets, net	(29,891)	44,771	(145)	(4,579)
Other liabilities, net	44,315	11,256	11,835	23,805
	<u>325,220</u>	<u>393,062</u>	<u>149,470</u>	<u>780,874</u>
Interest received	155,051	187,194	20,896	22,311
Income tax paid	(229,427)	(45,724)	-	-
Net cash provided by operating activities	<u>250,844</u>	<u>534,532</u>	<u>170,366</u>	<u>803,185</u>

# Pan-Jamaican Investment Trust Limited

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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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Not later than 1 year	274,876	219,412	-	-
Later than 1 year and not later than 5 years	424,388	534,620	-	-
Later than 5 years	30,552	41,800	-	-
	<u>729,816</u>	<u>795,832</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.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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### 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			
	2008			
	Jamaican \$	US\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000
<b>Assets</b>				
Cash and bank balances	7,280	6,913	-	14,193
Investments (excluding investments in subsidiaries and associated companies)	576,706	1,682,986	169,153	2,428,845
Investment properties	3,274,823	-	-	3,274,823
Other	5,400,895	-	-	5,400,895
<b>Total assets</b>	<b>9,259,704</b>	<b>1,689,899</b>	<b>169,153</b>	<b>11,118,756</b>
<b>Liabilities</b>				
Other liabilities	451,264	30,677	-	481,941
Loans	111,082	384,508	-	495,590
Total liabilities	562,346	415,185	-	977,531
<b>Net position</b>	<b>8,697,358</b>	<b>1,274,714</b>	<b>169,153</b>	<b>10,141,225</b>
	The Group			
	2007			
	Jamaican \$	US\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000
<b>Assets</b>				
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
<b>Total assets</b>	<b>9,327,778</b>	<b>1,036,582</b>	<b>228,255</b>	<b>10,592,615</b>
<b>Liabilities</b>				
Other liabilities	562,005	25,605	-	587,610
Loans	148,640	244,930	-	393,570
Total liabilities	710,645	270,535	-	981,180
<b>Net position</b>	<b>8,617,133</b>	<b>766,047</b>	<b>228,255</b>	<b>9,611,435</b>

# Pan-Jamaican Investment Trust Limited

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(expressed in Jamaican dollars unless otherwise indicated)

## 32. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

##### Concentration of currency risk (continued)

	The Company		
	2008		
	Jamaican \$	US\$	Total
	J\$'000	J\$'000	J\$'000
<b>Assets</b>			
Cash and bank balances	-	3,703	3,703
Investments (excluding investments in subsidiaries and associated companies)	3,995	238,971	242,966
Other	332,717	-	332,717
<b>Total assets</b>	336,712	242,674	579,386
<b>Liabilities</b>			
Other liabilities	78,369	-	78,369
Loans	1,000	-	1,000
Total liabilities	79,369	-	79,369
<b>Net position</b>	257,343	242,674	500,017

	The Company		
	2007		
	Jamaican \$	US\$	Total
	J\$'000	J\$'000	J\$'000
<b>Assets</b>			
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	328,427	-	328,427
<b>Total assets</b>	341,387	329,836	671,223
<b>Liabilities</b>			
Other liabilities	141,458	-	141,458
Loans	1,000	-	1,000
Total liabilities	142,458	-	142,458
<b>Net position</b>	198,929	329,836	528,765

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 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 15% increase and 5% decrease (2007 5% increase) 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. 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.

<b>The Group</b>				
	<b>% Change in Currency Rate 2008</b>	<b>Effect on Net Profit 2008 \$'000</b>	<b>% Change in Currency Rate 2007</b>	<b>Effect on Net Profit 2007 \$'000</b>
<b>Currency:</b>				
USD	15%	220,628	5%	34,163
USD	-5%	(160,696)	-	-

<b>The Company</b>				
	<b>% Change in Currency Rate 2008</b>	<b>Effect on Net Profit 2008 \$'000</b>	<b>% Change in Currency Rate 2007</b>	<b>Effect on Net Profit 2007 \$'000</b>
<b>Currency:</b>				
USD	15%	30,406	5%	13,174
USD	-5%	(10,135)	-	-

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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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 \$'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	
<b>At 31 December 2008:</b>							
<b>Assets</b>							
Investment securities	82,034	25,453	85,127	563,184	834,998	561,428	2,152,224
Investment properties	-	-	-	-	-	3,274,823	3,274,823
Investment in associated companies	-	-	-	-	-	4,842,899	4,842,899
Securities purchased under agreements to resell	107,578	169,043	-	-	-	-	276,621
Trade receivables	-	-	-	-	-	71,290	71,290
Cash and bank	14,193	-	-	-	-	-	14,193
Other	-	-	-	-	-	486,706	486,706
<b>Total assets</b>	<b>203,805</b>	<b>194,496</b>	<b>85,127</b>	<b>563,184</b>	<b>834,998</b>	<b>9,237,146</b>	<b>11,118,756</b>
<b>Liabilities</b>							
Loans	-	246,827	25,294	168,795	55,034	-	495,950
Bank overdraft	1,203	-	-	-	-	-	1,203
Finance lease	-	-	-	8,762	-	-	8,762
Trade payables	-	-	-	-	-	23,961	23,961
Other	-	-	-	-	-	447,655	447,655
<b>Total liabilities</b>	<b>1,203</b>	<b>246,827</b>	<b>25,294</b>	<b>177,557</b>	<b>55,034</b>	<b>471,616</b>	<b>977,531</b>
<b>Total interest repricing gap</b>	<b>202,602</b>	<b>(52,331)</b>	<b>59,833</b>	<b>385,627</b>	<b>779,964</b>	<b>8,765,530</b>	<b>10,141,225</b>
<b>Cumulative interest repricing gap</b>	<b>202,602</b>	<b>150,271</b>	<b>210,104</b>	<b>595,731</b>	<b>1,375,695</b>	<b>10,141,225</b>	

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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	
<b>At 31 December 2007:</b>							
<b>Assets</b>							
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
<b>Total assets</b>	<b>405,925</b>	<b>241,881</b>	<b>348,376</b>	<b>288,750</b>	<b>253,098</b>	<b>9,054,585</b>	<b>10,592,615</b>
<b>Liabilities</b>							
Loans	267,814	49,432	61,241	1,497	13,586	-	393,570
Bank overdraft	17,738	-	-	-	-	-	17,738
Finance lease	-	-	-	5,011	-	-	5,011
Trade payable	-	-	-	-	-	17,109	17,109
Other	-	-	-	-	-	547,752	547,752
<b>Total liabilities</b>	<b>285,552</b>	<b>49,432</b>	<b>61,241</b>	<b>6,508</b>	<b>13,586</b>	<b>564,861</b>	<b>981,180</b>
<b>Total interest repricing gap</b>	<b>120,373</b>	<b>192,449</b>	<b>287,135</b>	<b>282,242</b>	<b>239,512</b>	<b>8,489,724</b>	<b>9,611,435</b>
<b>Cumulative interest repricing gap</b>	<b>120,373</b>	<b>312,822</b>	<b>599,957</b>	<b>882,199</b>	<b>1,121,711</b>	<b>9,611,435</b>	

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2008

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## 32. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (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	Non-Interest Bearing \$'000	
	<b>At 31 December 2008:</b>						
<b>Assets</b>							
Investment securities	-	8,154	-	127,990	103,350	3,472	242,966
Cash and bank	3,703	-	-	-	-	-	3,703
Other	-	-	-	-	-	332,717	332,717
<b>Total assets</b>	<b>3,703</b>	<b>8,154</b>	<b>-</b>	<b>127,990</b>	<b>103,350</b>	<b>336,189</b>	<b>579,386</b>
<b>Liabilities</b>							
Loans	-	-	-	1,000	-	-	1,000
Other	-	-	-	-	-	73,616	73,616
Finance lease	-	-	-	4,753	-	-	4,753
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,753</b>	<b>-</b>	<b>73,616</b>	<b>79,369</b>
<b>Total interest repricing gap</b>	<b>3,703</b>	<b>8,154</b>	<b>-</b>	<b>122,237</b>	<b>103,350</b>	<b>262,573</b>	<b>500,017</b>
<b>Cumulative interest repricing gap</b>	<b>3,703</b>	<b>11,857</b>	<b>11,857</b>	<b>134,094</b>	<b>237,444</b>	<b>500,017</b>	

	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	Non-Interest Bearing \$'000	
	<b>At 31 December 2007:</b>						
<b>Assets</b>							
Investment securities	12,004	-	-	130,612	113,930	4,960	261,506
Cash and bank	81,290	-	-	-	-	-	81,290
Other	-	-	-	-	-	328,427	328,427
<b>Total assets</b>	<b>93,294</b>	<b>-</b>	<b>-</b>	<b>130,612</b>	<b>113,930</b>	<b>333,387</b>	<b>671,223</b>
<b>Liabilities</b>							
Loans	-	-	-	1,000	-	-	1,000
Finance lease	-	-	-	5,011	-	-	5,011
Other	-	-	-	-	-	136,447	136,447
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,011</b>	<b>-</b>	<b>136,447</b>	<b>142,458</b>
<b>Total interest repricing gap</b>	<b>93,294</b>	<b>-</b>	<b>-</b>	<b>124,601</b>	<b>113,930</b>	<b>196,940</b>	<b>528,765</b>
<b>Cumulative interest repricing gap</b>	<b>93,294</b>	<b>93,294</b>	<b>93,294</b>	<b>217,895</b>	<b>331,825</b>	<b>528,765</b>	



# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

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## 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		The Company	
	Effect on Profit 2008 \$'000	Effect on Equity 2008 \$'000	Effect on Profit 2008 \$'000	Effect on Equity 2008 \$'000
<b>Change in percentage points:</b>				
+ 5	(9,311)	(29,818)	-	4,351
- 10	18,622	63,652	-	9,231

	The Group		The Company	
	Effect on Profit 2007 \$'000	Effect on Equity 2007 \$'000	Effect on Profit 2007 \$'000	Effect on Equity 2007 \$'000
<b>Change in percentage points:</b>				
+ 2	(4,404)	(2,852)	-	(1,466)
- 2	4,404	2,883	-	1,483

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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 equity 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.

The impact on net assets and stockholders' equity of a 20% (2007- 5%) increase/decrease in equity prices is an increase/decrease of \$112,660,000 and \$694,000 (2007 – \$37,322,000 and \$248,000) for the group and company respectively.

### (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

	Maximum exposure			
	The Group		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Credit risk exposures relating to on balance sheet items are as follows:				
<b>Assets:</b>				
Deposits	45,933	161,610	-	12,004
Securities purchased under agreements to resell	276,621	383,325	-	-
Available-for-sale securities	1,522,564	788,718	227,345	240,547
Loans	20,426	13,924	12,149	3,995
Trade receivables	71,290	58,093	-	-
Cash	14,193	102,850	3,703	81,290
	<u>1,951,027</u>	<u>1,508,520</u>	<u>243,197</u>	<u>337,836</u>

Credit risk exposures relating to off balance sheet items are as follows:

Loan commitments	<u>729,816</u>	<u>795,832</u>	-	-
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The above table represents a worst case scenario of credit risk exposure to the group and company at 31 December 2008 and 2007, 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. An impairment loss was recognised by the group for the year ended 31 December 2008 for \$14,239,000 for certain investment securities (2007 – nil).

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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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Commercial	33,513	34,659	-	-
Retail	7,511	5,394	-	-
Managed properties	39,082	18,316	-	-
	80,106	58,369	-	-
Less: Provision for credit losses	(8,816)	(276)	-	-
	<u>71,290</u>	<u>58,093</u>	<u>-</u>	<u>-</u>

Credit quality of trade receivables are summarized as follows:

	The Group		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Neither past due nor impaired -				
Standard	60,657	35,037	-	-
Past due but not impaired	10,633	23,056	-	-
Impaired	8,816	276	-	-
<b>Gross</b>	80,106	58,369	-	-
Less: Provision for credit losses	(8,816)	(276)	-	-
<b>Net</b>	<u>71,290</u>	<u>58,093</u>	<u>-</u>	<u>-</u>

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

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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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
31 to 60 days	677	7,711	-	-
61 to 90 days	117	78	-	-
Over 90 days	9,839	15,267	-	-
	<u>10,633</u>	<u>23,056</u>	<u>-</u>	<u>-</u>

The amounts above include managed properties fees receivables of \$39,082,000 (2007 - \$18,316,000) (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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Government of Jamaica	724,918	839,099	227,345	240,547
Foreign institutions	461,307	105,454	-	-
Financial institutions	276,621	475,587	-	12,004
Corporate equities	424,253	659,970	3,472	4,960
Corporate debt	541,746	13,924	12,149	3,995
	<u>2,428,845</u>	<u>2,094,034</u>	<u>242,966</u>	<u>261,506</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	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Government of Jamaica	776,860	696,756	202,704	183,431
Corporate	811,782	14,101	8,154	-
	<u>1,588,642</u>	<u>710,857</u>	<u>210,858</u>	<u>183,431</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; and
- (v) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities 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 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
	Within 1	1 to 3	3 to 12	1 to 5	Over	
	Month	Months	Months	Years	5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 31 December 2008</b>						
<b>Liabilities</b>						
Loans	-	247,147	35,717	224,061	93,055	599,980
Bank overdraft	1,203	-	-	-	-	1,203
Trade payables	23,961	-	-	-	-	23,961
Finance leases	507	1,015	4,566	3,960	-	10,048
Total financial liabilities (contractual maturity date)	25,671	248,162	40,283	228,021	93,055	635,192

	The Group					Total
	Within 1	1 to 3	3 to 12	1 to 5	Over 5	
	Month	Months	Months	Years	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 31 December 2007</b>						
<b>Liabilities</b>						
Loans	-	196,995	114,469	137,804	59,630	508,898
Bank overdraft	17,738	-	-	-	-	17,738
Trade payables	17,109	-	-	-	-	17,109
Finance leases	242	669	1,995	3,043	-	5,949
Total financial liabilities (contractual maturity dates)	35,089	197,664	116,464	140,847	59,630	549,694

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## 32. Financial Risk Management (Continued)

### (c) Liquidity risk (continued)

Financial 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	
	<b>As at 31 December 2008:</b>					
<b>Liabilities</b>						
Bank overdraft	717	-	-	-	-	717
Loans	-	-	-	1,000	-	1,000
Finance leases	334	669	3,010	1,292	-	5,305
Total financial liabilities (contractual maturity dates)	1,051	669	3,010	2,292	-	7,022

	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	
	<b>As at 31 December 2007:</b>					
<b>Liabilities</b>						
Loans	-	-	-	1,000	-	1,000
Finance Leases	242	669	1,995	3,043	-	5,949
Total financial liabilities (contractual maturity dates)	242	669	1,995	4,043	-	6,949

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



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## Notes to the Financial Statements

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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:

	<b>The Group</b>			
	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>
	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>				
Investments in associates	4,842,899	5,299,236	4,953,389	7,656,944
Loans and receivables	20,426	20,214	13,924	13,780
	<u>4,863,325</u>	<u>5,319,450</u>	<u>5,067,313</u>	<u>7,670,724</u>
	<b>The Company</b>			
	<b>Carrying</b>	<b>Fair</b>	<b>Carrying</b>	<b>Fair</b>
	<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Value</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Investments in associates	22,296	151,561	22,296	303,122
Loans and receivables	12,149	11,937	3,995	3,874
	<u>34,445</u>	<u>163,498</u>	<u>26,291</u>	<u>307,000</u>
	<b>The Group</b>			
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Liabilities</b>				
Long term liabilities (including current portion)	495,950	485,603	393,570	378,403
	<u>495,950</u>	<u>485,603</u>	<u>393,570</u>	<u>378,403</u>
	<b>The Company</b>			
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Long term liabilities (including current portion)	1,000	977	1,000	1,005
	<u>1,000</u>	<u>977</u>	<u>1,000</u>	<u>1,005</u>

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### 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.

### 35. Financial Effect of the Adoption of an Interpretation to a Standard and a Charge in Accounting Policy

During the year, the group adopted the following interpretation to a standard and changed the following accounting policy:

- (i) **IFRIC 11, IFRS 2 – Group and Treasury Share transactions.** This interpretation has resulted in share options granted by the parent company to individuals employed by subsidiaries being expensed in the accounts of the subsidiary. The expense now accounted for in the accounts of the subsidiaries is no longer accounted for in the books of the company. There was no impact on the results of the group. This interpretation is retrospectively applied and prior period comparatives have been restated.
- (ii) **Accounting policy for gains on dilution in associated companies.** The group has elected to book all gains/(losses) on dilution of its investments in associated companies to equity effective 1 January 2008. Prior period comparatives have been restated.

#### Impact on stockholders' equity as at 1 January 2007

There was no impact on opening equity as 1 January 2007 as gains or losses on dilutions were transferred from retained earnings to investment and other reserves in prior years. Additionally the accumulated stock compensation expense of \$2,004,000 at 1 January 2007, attributable to subsidiaries would have been eliminated by a corresponding entry in the equity compensation reserve.

#### Impact on statement of operations for the year ended 31 December 2007

	<u>The Group</u>	<u>The Company</u>
Net profit, previously reported	1,383,793	775,480
Adjusted for the effects of:		
Reversal of stock compensation expense attributable to subsidiaries	-	15,452
Reversal of gain on dilution of shareholding in associated company	(10,886)	-
Increase in income tax expense	-	(5,819)
Net profit, restated	<u>1,372,907</u>	<u>785,113</u>

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## 35. Financial Effect of the Adoption of an Interpretation to a Standard and a Charge in Accounting Policy (Continued)

Impact on balance sheet at 31 December 2007

	<u>The Group</u>	<u>The Company</u>
Total assets, previously reported	10,592,615	677,042
Adjusted for the effects of:		
Deferred tax on equity compensation reserve	-	(5,819)
Total assets, restated	<u>10,592,615</u>	<u>671,223</u>
Total stockholders' equity, previously reported	9,611,435	534,584
Adjusted for the effects of:		
Reversal of stock compensation provision in equity compensation	-	(17,456)
Accumulated stock compensation provision attributable to subsidiaries	-	11,637
Total stockholders' equity, restated	<u>9,611,435</u>	<u>528,765</u>