

**Pan-Jamaican Investment  
Trust Limited**

**Financial Statements  
31 December 2010**

# Pan-Jamaican Investment Trust Limited

Index

31 December 2010

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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 ("the group"), and the accompanying financial statements of Pan-Jamaican Investment Trust Limited standing alone, set out on pages 1 to 88, which comprise the consolidated and company statement of financial position as of 31 December 2010 and the consolidated and company income statements, the consolidated and company statements of comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements 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.

Members of Pan-Jamaican Investment Trust Limited  
Independent Auditors' Report  
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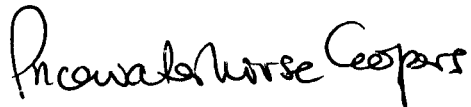
***Opinion***

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 2010 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

1 March 2011  
Kingston, Jamaica

# Pan-Jamaican Investment Trust Limited

## Consolidated Income Statement

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>Income</b>			
Investments	5	148,494	444,103
Property	6	1,249,059	1,174,446
Commissions		30,480	30,650
Other	6	64,912	86,815
		1,492,945	1,736,014
Operating expenses	7	(780,073)	(705,096)
<b>Operating Profit</b>		712,872	1,030,918
Interest expense		(61,683)	(51,058)
Share of results of associated companies		1,172,477	1,124,733
Gain on acquisition of shares in subsidiary		-	10,427
<b>Profit before Taxation</b>		1,823,666	2,115,020
Taxation	10	(176,344)	(179,887)
<b>NET PROFIT</b>		1,647,322	1,935,133
<b>Attributable to:</b>			
Owners of the parent		1,244,498	1,395,677
Non-controlling interests		402,824	539,456
		1,647,322	1,935,133
<b>Earnings per stock unit attributable to owners of the parent during the year</b>			
Basic and fully diluted	11	7.27	8.15

# Pan-Jamaican Investment Trust Limited

## Consolidated Statement of Comprehensive Income

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>Note</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
<b>Net Profit for the year</b>		<u>1,647,322</u>	<u>1,935,133</u>
<b>Other Comprehensive Income</b>			
Exchange differences on translating foreign operations		(4,760)	9,579
Unrealised gains on available-for-sale financial assets, net of tax		111,507	64,210
Gain on dilution of shareholding in associated company	8	-	11,119
Share of other comprehensive income of associated companies		<u>556,132</u>	<u>371,633</u>
<b>Other Comprehensive Income for the year, net of tax</b>		<u>662,879</u>	<u>456,541</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><u>2,310,201</u></u>	<u><u>2,391,674</u></u>
<b>Attributable to:</b>			
Owners of the parent		1,803,555	1,728,637
Non-controlling interests		<u>506,646</u>	<u>663,037</u>
		<u><u>2,310,201</u></u>	<u><u>2,391,674</u></u>

# Pan-Jamaican Investment Trust Limited

## Consolidated Statement of Financial Position

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Cash and Bank Balances</b>	12	25,947	18,784
<b>Investments</b>			
Deposits	12	32,139	122,144
Investment securities:			
Financial assets at fair value through profit and loss	13	158,902	126,404
Available-for-sale	13	1,835,750	1,787,993
Loans and receivables	13	12,117	12,272
		2,006,769	1,926,669
Securities purchased under agreements to resell	14	1,093,979	829,048
Investment properties	15	3,888,690	3,584,578
Investment in associated companies	16	7,422,757	6,003,954
		<u>14,444,334</u>	<u>12,466,393</u>
<b>Other assets</b>			
Taxation recoverable		47,855	58,250
Deferred tax assets	17	3,903	10,396
Prepayment and miscellaneous	18	371,707	226,819
Property, plant and equipment	19	225,440	100,512
Retirement benefit assets	20	31,708	42,088
		<u>15,150,894</u>	<u>12,923,242</u>

**Pan-Jamaican Investment Trust Limited**  
Consolidated Statement of Financial Position (Continued)  
**31 December 2010**  
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
<b>Capital and Reserves Attributable to Owners of the Parent</b>			
Share capital	25	185,354	185,354
Equity compensation reserve	26	39,160	34,302
Property revaluation reserve	27	2,247,786	1,998,504
Investment and other reserves	28	2,888,608	2,208,021
Retained earnings		5,274,449	4,525,910
Treasury stock		(18,486)	(18,486)
		10,616,871	8,933,605
<b>Non-controlling interests</b>		2,469,031	3,248,427
		13,085,902	12,182,032
<b>Liabilities</b>			
Bank overdrafts	12	101	2,610
Taxation payable		34,163	80,689
Due to related parties	21	5,225	5,225
Loan liabilities	22	1,591,504	241,924
Finance lease liability	23	9,844	3,212
Deferred tax liabilities	17	128,822	104,499
Retirement benefit liabilities	20	75,650	69,923
Other liabilities	24	219,683	233,128
		2,064,992	741,210
		15,150,894	12,923,242

Approved for issue by the Board of Directors on 1 March 2011 and signed on its behalf by:



Maurice W. Facey

Director



Stephen B. Facey

Director



# Pan-Jamaican Investment Trust Limited

## Consolidated Statement of Changes in Equity

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

Note	Attributable to Owners of the Parent							Total \$'000
	Share Capital \$'000	Equity Compensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Treasury Stock \$'000	Non-Controlling Interests \$'000	
<b>Balance at 1 January 2009</b>	185,354	27,107	1,775,005	1,875,061	3,586,705	(18,486)	2,710,479	10,141,225
<b>Comprehensive income</b>								
Net profit	-	-	-	-	1,395,677	-	539,456	1,935,133
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	9,579	-	-	-	9,579
Unrealised gains on available-for-sale financial assets, net of tax	-	-	-	42,784	-	-	21,426	64,210
Gain on dilution of shareholding in associated company	-	-	-	8,151	-	-	2,968	11,119
Share of other comprehensive income of associated companies	-	-	-	272,446	-	-	99,187	371,633
Total other comprehensive income for the year	-	-	-	332,960	-	-	123,581	456,541
Total comprehensive income for the year	-	-	-	332,960	1,395,677	-	663,037	2,391,674
<b>Transactions with owners</b>								
Dividends paid to equity holders of the company	29	-	-	-	(232,973)	-	-	(232,973)
Dividends paid to non-controlling interestnon- controlling interests of a subsidiary		-	-	-	-	-	(88,160)	(88,160)
Acquisition of additional shareholding in a subsidiary	16	-	-	-	-	-	(38,933)	(38,933)
Stock compensation provision	26	-	7,195	-	-	-	2,004	9,199
Total transactions with owners		-	7,195	-	(232,973)	-	(125,089)	(350,867)
Transfer of unrealised property revaluation gains		-	-	223,499	(223,499)	-	-	-
<b>Balance at 31 December 2009</b>	185,354	34,302	1,998,504	2,208,021	4,525,910	(18,486)	3,248,427	12,182,032

# Pan-Jamaican Investment Trust Limited

## Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

Note	Attributable to Owners of the Parent							Total \$'000
	Share Capital \$'000	Equity Compensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Treasury Stock \$'000	Non-controlling Interests \$'000	
<b>Balance at 1 January 2010</b>	185,354	34,302	1,998,504	2,208,021	4,525,910	(18,486)	3,248,427	12,182,032
<b>Comprehensive income</b>								
Net profit	-	-	-	-	1,244,498	-	402,824	1,647,322
Other comprehensive income:	-							
Exchange differences on translating foreign operations	-	-	-	(4,760)	-	-		(4,760)
Unrealised gain on available-for-sale financial assets, net of tax	-	-	-	102,246	-	-	9,261	111,507
Share of other comprehensive income of associated companies	-	-	-	461,571	-	-	94,561	556,132
Total other comprehensive income for the year	-	-	-	559,057	-	-	103,822	662,879
Total comprehensive income for the year	-	-	-	559,057	1,244,498	-	506,646	2,310,201
<b>Transactions with owners</b>								
Dividends paid to equity holders of the company	29	-	-	-	(246,677)	-	-	(246,677)
Dividends paid to non-controlling interests of a subsidiary		-	-	-	-	-	(92,835)	(92,835)
Acquisition of additional shareholding in a subsidiary	16	-	-	121,530	-	-	(1,193,990)	(1,072,460)
Stock compensation provision	26	4,858	-	-	-	-	783	5,641
Total transactions with owners		4,858		121,530	(246,677)	-	(1,286,042)	(1,406,331)
Transfer of unrealised property revaluation gains		-	249,282	-	(249,282)	-	-	-
<b>Balance at 31 December 2010</b>	185,354	39,160	2,247,786	2,888,608	5,274,449	(18,486)	2,469,031	13,085,902

# Pan-Jamaican Investment Trust Limited

## Consolidated Statement of Cash Flows

Year ended 31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>Cash Flows from Operating Activities</b>	30	<u>349,443</u>	<u>551,311</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	19	(134,521)	(13,752)
Acquisition of investment properties	15	(3,833)	(2,420)
Proceeds from disposal of property, plant and equipment		3,080	
Acquisition of shares in associated company		(87,222)	(177,523)
Acquisition of additional shares in subsidiary		(1,072,460)	(28,506)
Dividends from associated company		397,028	523,960
Acquisition of investment securities, net		(238,328)	452,131
Other investing activities		<u>(165,001)</u>	<u>-</u>
Net cash (used in)/provided by investing activities		<u>(1,301,257)</u>	<u>753,890</u>
<b>Cash Flows from Financing Activities</b>			
Related parties		-	(7)
Loans received		1,512,197	53,653
Loans repaid		(160,016)	(352,521)
Interest repaid		(55,159)	(45,931)
Finance lease received/(repaid)		6,632	(5,550)
Dividends paid to non-controlling interest in subsidiary		(92,835)	(88,160)
Dividends paid to equity holders	29	<u>(246,677)</u>	<u>(232,973)</u>
Net cash provided by/(used in) financing activities		<u>964,142</u>	<u>(671,489)</u>
Net increase in cash and cash equivalents		12,328	633,712
Effect of exchange rate changes on cash and cash equivalents		(28,311)	32,504
Cash and cash equivalents at beginning of year		<u>964,639</u>	<u>298,423</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	12	<u><u>948,656</u></u>	<u><u>964,639</u></u>

# Pan-Jamaican Investment Trust Limited

## Company Income Statement

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>Income</b>			
Investments	5	397,134	295,974
Management fees	6	24,126	22,320
Miscellaneous	6	3,080	-
		<u>424,340</u>	<u>318,294</u>
<b>Expenses</b>			
Operating expenses	7	68,341	69,222
Interest expense		<u>40,332</u>	<u>6,036</u>
		<u>108,673</u>	<u>75,258</u>
<b>Profit before Taxation</b>		315,667	243,036
Taxation	10	<u>-</u>	<u>-</u>
<b>NET PROFIT</b>		<u><u>315,667</u></u>	<u><u>243,036</u></u>

# Pan-Jamaican Investment Trust Limited

Company Statement of Comprehensive Income

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Profit for the year</b>	<u>315,667</u>	<u>243,036</u>
<b>Other Comprehensive Income</b>		
Unrealised gain/(loss) on available-for-sale financial assets, net of tax	<u>35,814</u>	<u>(16,572)</u>
<b>Other Comprehensive income for the year, net of tax</b>	<u>35,814</u>	<u>(16,572)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>351,481</u></u>	<u><u>226,464</u></u>

# Pan-Jamaican Investment Trust Limited

## Company Statement of Financial Position

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
<b>Cash and Bank Balances</b>	12	4,731	1,879
<b>Investments</b>			
Deposits		17,068	-
Investment securities			
Available-for-sale securities	13	260,743	237,607
Loans and receivables	13	3,840	3,995
		264,583	241,602
Securities purchased under agreements to resell	14	36,179	3,371
Investment in subsidiaries	16	1,161,733	96,177
Investment in associated companies	16	199,819	199,819
		<u>1,679,382</u>	<u>540,969</u>
<b>Other Assets</b>			
Due from related parties	21	172,276	181,561
Taxation recoverable		2,695	5,107
Deferred tax assets	17	1,240	1,240
Prepayment and miscellaneous	18	594	3,916
Property, plant and equipment	19	20,492	3,497
Retirement benefit assets	20	13,026	5,354
		<u>1,894,436</u>	<u>743,523</u>

# Pan-Jamaican Investment Trust Limited

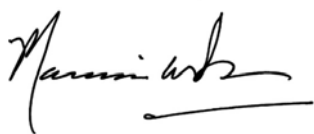
Company Statement of Financial Position (Continued)

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Stockholders' Equity</b>			
Share capital	25	185,354	185,354
Equity compensation reserve	26	9,115	8,079
Investment and other reserves	28	172,872	137,058
Retained earnings		227,447	161,671
		594,788	492,162
<b>Liabilities</b>			
Bank overdraft	12	101	-
Due to related parties	21	162,777	181,689
Loan liabilities	22	1,075,180	-
Finance lease liability	23	180	1,313
Retirement benefit liabilities	20	20,222	19,767
Other liabilities	24	41,188	48,592
		1,299,648	251,361
		1,894,436	743,523

Approved for issue by the Board of Directors on 1 March 2011 signed on its behalf by:



Maurice W. Facey

Director



Stephen B. Facey

Director

# Pan-Jamaican Investment Trust Limited

## Company Statement of Changes in Equity

**Year ended 31 December 2010**

(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
<b>Balance at 1 January 2009</b>		185,354	6,390	153,630	154,643	500,017
<b>Comprehensive income</b>						
Net profit		-	-	-	243,036	243,036
Other comprehensive income:						
Unrealised loss on available-for-sale financial assets, net of tax		-	-	(16,572)	-	(16,572)
Total other comprehensive income		-	-	(16,572)	-	(16,572)
Total comprehensive income for the year		-	-	(16,572)	243,036	226,464
<b>Transactions with owners</b>						
Dividends paid	29	-	-	-	(236,008)	(236,008)
Stock compensation provision	26	-	1,689	-	-	1,689
Total transactions with owners		-	1,689	-	(236,008)	(234,319)
<b>Balance at 31 December 2009</b>		185,354	8,079	137,058	161,671	492,162
<b>Comprehensive income</b>						
Net profit					315,667	315,667
Other comprehensive income:						
Unrealised gain on available-for-sale financial assets, net of tax				35,814		35,814
Total other comprehensive income		-	-	35,814	-	35,814
Total comprehensive income for the year		-	-	35,814	315,667	351,481
<b>Transactions with owners</b>						
Dividends paid	29	-	-	-	(249,891)	(249,891)
Stock compensation provision	26	-	1,036	-	-	1,036
Total transactions with owners		-	1,036	-	(249,891)	(248,855)
<b>Balance at 31 December 2010</b>		185,354	9,115	172,872	227,447	594,788



# Pan-Jamaican Investment Trust Limited

## Company Statement of Cash Flows

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>Note</b>	<b>2010 \$'000</b>	<b>2009 \$'000</b>
<b>Cash Flows from Operating Activities</b>	30	<u>357,243</u>	<u>230,587</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of additional shares in subsidiary		(1,065,556)	(28,506)
Acquisition of shares in associated company		-	(177,523)
Acquisition of property, plant and equipment	19	(17,757)	(1,122)
Proceeds from disposal of property, plant and equipment		3,080	
Investment securities, net		<u>(17,068)</u>	<u>10,834</u>
Net cash used in investing activities		<u>(1,097,301)</u>	<u>(196,317)</u>
<b>Cash Flows from Financing Activities</b>			
Related parties		(1,682)	208,373
Loan received		1,067,203	-
Loans repaid		-	(1,000)
Interest repaid		(38,418)	(38)
Finance lease repaid		(1,133)	(3,440)
Dividends paid	29	<u>(249,891)</u>	<u>(236,008)</u>
Net cash provided by/(used in) financing activities		<u>776,079</u>	<u>(32,113)</u>
Net increase in cash and cash equivalents		36,021	2,157
Effect of exchange rate changes on cash and cash equivalents		(462)	107
Cash and cash equivalents at beginning of year		<u>5,250</u>	<u>2,986</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	12	<u><u>40,809</u></u>	<u><u>5,250</u></u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(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, associated companies, and other consolidated entities, 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	Investments	83.0%	
Jamaica Property Company Limited	Commercial Property 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		66.67%
Knutsford Holdings Limited	Office Rental	-	60%
Panacea Holdings Limited (Incorporated in St. Lucia)	Investments	100%	-
Panacea Insurance Limited (Incorporated in St. Lucia)	Captive Insurance	-	100%
Castleton Investments Limited (Incorporated in St Lucia)	Investment Management	-	100%
<b>Associated Companies</b>			
Hardware & Lumber Limited	Retail and Trading	20.83%	-
Sagicor Life Jamaica Limited	Insurance and Pension Management	-	24.73%
Impan Properties Limited	Office Rental	-	20%
New Castle Company Limited (Incorporated in St. Lucia)	Consumer Products	25%	
<b>Other consolidated entity</b>			
First Jamaica Employees share ownership scheme	Employees share ownership plan	-	100%

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(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. The group's holding in Castleton Investments Limited ("Castleton") was acquired during the year. The company's shareholding in First Jamaica Investments Limited increased to 83% (2009 – 73%). There were no other significant changes in the group's shareholdings in the other entities during the current year.

### 2. Summary of Significant Accounting Policies

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

#### (a) Basis of preparation

The consolidated financial statements of the group and the financial statements of the company standing alone (together referred to as the financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, and financial assets at fair value through profit and 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.

#### **Standards and amendments to published standards effective 1 January 2010 that are relevant to the group's operations**

The following standards and amendments to previously existing standards, which became effective in the current financial year are relevant to the group, and have impacted the financial statements as described below.

- **IAS 1 (Amendment), 'Presentation of financial statements'**. The amendment provides clarification that the potential settlement of a liability by issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The new guidance has had no impact on the group's financial statements, as the group and the company present an unclassified Statement of financial position.

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

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

**Standards and amendments to published standards effective 1 January 2010 that are relevant to the group's operations (continued)**

- **IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures',** - The revised standard is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. 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 are now expensed. Where control is achieved in stages, the revised standard also requires goodwill to be determined only at the acquisition date rather than at the previous stages. The determination of goodwill includes a requirement for the previously held equity interest to be adjusted to fair value, with any gain or loss recorded in the income statement.
- **IAS 27 (revised)** 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.
- **IAS 28 (revised)** requires that gains or losses on the dilution of investments in associated companies, where the group retains significant influence, be recorded in the income statement.

The adoption of this standard resulted in the effects of the current year's acquisition of additional shares in a subsidiary, being recorded in equity. There were also no dilutions of the group's holdings in its associated companies. The aforementioned amendments are applied prospectively.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(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**

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 2011 or later periods, but were not effective at the statement of financial position date, one of which the group has 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:

- **Amendment to IAS 12, 'Income taxes', effective 1 January 2012 (Early adopted by the group).** This amendment introduces rebuttable presumption that value of investment property measured at fair value will be recovered entirely through sale. Management has early adopted this standard and has determined that there is no material impact on the group's financial statements.
- **IAS 24 (Revised), 'Related party disclosures', effective 1 January 2011.** This amendment removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities and it clarifies and simplifies the definition of a related party. The new guidance is not expected to have a material impact on the group's financial statements.
- **Amendment to IFRS 7, 'Financial Instruments: Disclosure', effective 1 July 2011.** The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Management is of the view that the amendment will not impact the group, as it presently does not participate in securitization transactions.
- **IFRS 9, 'Financial instruments'.** The standard introduces new requirements for the classification and measurement of financial assets and financial liabilities and is effective from 1 January 2013 with early adoption permitted. The standard divides all financial assets and financial liabilities that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. This standard is a work in progress and will eventually replace IAS 39 in its entirety.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (b) Basis of consolidation

##### (i) Subsidiaries

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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

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

##### (ii) Transactions and non-controlling interests

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

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

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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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 income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate 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 statement of financial position, investments in associates are shown at cost.

Dilution gains and losses in investments in associated companies are recognised in the income statement.

#### (c) Income recognition

##### (i) Interest income and expenses

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount or premium on treasury bills and other discounted instruments. When amounts receivable in connection with investments 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 in the income statement.

##### (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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(expressed in Jamaican dollars unless otherwise indicated)

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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 also the company's functional currency.

##### (ii) Transactions and balances

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

Changes in the fair value of monetary assets denominated in foreign currencies and classified 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 in amortised cost are recognised in the income statement, and other changes are recognised in other comprehensive income.

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

##### (iii) Group companies

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

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

#### (e) Taxation

Taxation expense in the income statement comprises current and deferred tax. Current and deferred taxes are recognised as income tax expense or benefit in the income statement except, where they relate to items recorded in other comprehensive income, in which case they are also charged or credited to other comprehensive income. Taxation is based on profit for the year adjusted for taxation purposes at 33⅓%.

##### (i) Current taxation

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



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (e) Taxation (continued)

##### (ii) Deferred income taxes

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on 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 sale, which would not attract any taxes.

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

#### (f) Financial instruments

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

##### **Financial assets**

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

##### **Financial liabilities**

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

The fair values of the group's and the company's financial instruments are discussed in Note 33.

#### (g) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise investment securities with less than 90 days maturity from the date of acquisition including cash balances, short term deposits, securities purchased under agreements to resell and bank overdrafts.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (h) Investments

##### (i) Investment securities

The group classifies its investment securities as available-for-sale, fair value through profit and loss, 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.

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

Investments are initially recognised at fair value which is the cash consideration including any transaction costs, for all financial assets not carried at fair value through profit and loss. Financial assets at fair value through profit or loss are recorded at fair value less transaction costs, as transaction costs are taken directly to the income statement.

##### (a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale investments denominated in the functional currency of the reporting entity are recorded in other comprehensive income, and under investment and other reserves in equity. Changes in the fair value of foreign currency denominated available-for-sale financial assets are discussed in Note 2(d) (ii)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognised in other comprehensive income are included in the income statement as investment income.

The group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, objective evidence of impairment includes significant difficulties on the part of the borrower and attempts to restructure the contractual cash flows associated with the debt. 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 income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (h) Investments (continued)

##### (i) Investment securities (continued)

##### (a) Available-for-sale financial assets (continued)

The determination of the fair values of financial assets is discussed in Note 33

##### (b) 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. These assets are subsequently measured at fair value, with the fair value gains or losses being recognized in the income statement.

##### (c) Loans and receivables

Loans and receivables are carried at amortised cost.

Loans are recognised when cash is advanced to borrowers. They are carried 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 using the criteria for debt securities discussed under available-for-sale securities, 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 impaired loans and receivables, 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 income statement.

##### (ii) 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.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (h) Investments (continued)

##### (iii) Investment property

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

#### (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 income statement 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 income statement 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 costs are charged to the income statement during the financial period in which they are incurred.

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

Freehold premises	2½%
Leasehold improvements	over the period of the lease
Furniture, fixtures & equipment	10% & 12½%
Assets capitalised under finance leases	Life of lease
Motor vehicles	15% - 20%

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

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

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

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

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

#### (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 amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, 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 Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

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.

##### (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 income statement 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 statement of financial position date.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

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

##### (iv) Equity compensation benefits

The group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense 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 statement of financial position 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 income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

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

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

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

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

##### (v) Termination benefits

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

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (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 statement of financial position 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) 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.

#### (p) Dividends

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

#### (q) 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.

#### (r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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### 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

- (i) **Estimated impairment of goodwill**  
The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(n).
- (ii) **Income taxes**  
The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- (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 valuation inputs and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The group uses discounted cash flow analyses and references to prices for other instruments that are substantially the same for various available-for-sale financial assets that were not traded in active markets. Details of investment securities valued using other than quoted prices in an active market are provided in Note 33 of the financial statements
- (iv) **Impairment of investment securities and investment in associated companies**  
The group follows the guidance of IAS 39, IAS 28 and IAS 36 to determine when an investment security or an investment in an associated company is impaired. In making this determination for investment securities, the group evaluates, among other factors, financial difficulties on the part of the borrowers and variations to the contractual cash flows associated with the investment for debt instruments, and the duration for and extent to which the fair value of an available-for-sale equity investment is lower than its cost. For investments in associated companies, management determines the investment's recoverable amount, and compares this to the investment's carrying amount. Management's evaluation of the aforementioned factors for debt and equity securities, as well as the determination of the recoverable amount for its investment in associated companies requires the use of significant judgement. Except as otherwise disclosed in the notes to the financial statements, management is of the view that there is no impairment to investment securities or investment in associated companies.



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

(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. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions. A change in any of the assumptions used could have a significant impact on the value of the related retirement benefit asset or liability

(v) Investment properties

Investment properties are carried in the statement of financial position at market value. The group uses independent qualified property appraisers to value its investment properties annually, generally using the 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, a discount rate, and the current condition of the properties. 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

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Segmental Financial Information

The group is organised into two main business segments:

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

The operating segments have been determined by management based on the reports reviewed by the board and which are used to make strategic and operational decisions. The property management and investments segments derive their income from rental and property management fees, and interest and dividend income respectively.

	2010				
	Property Management & Rental	Investments	Other Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,353,293	96,674	42,978	-	1,492,945
Inter-group revenue	10,772	90,498	1,964	(103,234)	-
Total revenue	1,364,065	187,172	44,942	(103,234)	1,492,945
Operating profit	585,826	96,786	30,260	-	712,872
Interest expense	(25,140)	(40,759)	-	4,216	(61,683)
	560,686	56,027	30,260	4,216	651,189
Share of results of associated companies	-	1,172,477	-	-	1,172,477
Profit before taxation	560,686	1,228,504	30,260	4,216	1,823,666
Taxation	(85,812)	(80,435)	(10,097)	-	(176,344)
Net profit	474,874	1,148,069	20,163	4,216	1,647,322
Segment assets	5,298,789	2,382,533	195,952	(149,137)	7,728,137
Investment in associated companies	-	7,422,757	-	-	7,422,757
Total assets	5,298,789	9,805,290	195,952	(149,137)	15,150,894
Segment liabilities	765,160	1,270,954	178,015	(149,137)	2,064,992
Other segment items:					
Capital expenditure	116,764	17,757	-	-	134,521
Depreciation	5,546	762	71	-	6,379

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Segmental Financial Information (Continued)

	2009				
	Property Management & Rental	Investments	Other Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,306,585	364,674	64,755	-	1,736,014
Inter-group revenue	6,926	8,520	-	(15,446)	-
Total revenue	1,313,511	373,194	64,755	(15,446)	1,736,014
Operating profit	617,972	360,232	52,714	-	1,030,918
Interest expense	(20,113)	(30,945)	-	-	(51,058)
	597,859	329,287	52,714	-	979,860
Share of results of associated companies	-	1,124,733	-	-	1,124,733
Gain on acquisition of shares in subsidiary	-	10,427	-	-	10,427
Profit before taxation	597,859	1,464,447	52,714	-	2,115,020
Taxation	(100,423)	(79,228)	(236)	-	(179,887)
Net profit	497,436	1,385,219	52,478	-	1,935,133
Segment assets	4,422,100	2,399,068	279,086	(180,966)	6,919,288
Investment in associated companies	-	6,003,954	-	-	6,003,954
Total assets	4,422,100	8,403,022	279,086	(180,966)	12,923,242
Segment liabilities	360,622	334,314	227,240	(180,966)	741,210
Other segment items:					
Capital expenditure	12,630	1,122	-	-	13,752
Depreciation	3,991	3,056	102	-	7,149

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Investment Income

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>Income</b>				
Interest income -				
Available-for-sale investments	130,692	168,892	24,468	24,896
Loans and receivables	-	391	-	391
Securities purchased under agreement to resell and deposits	45,150	55,175	643	910
Realised gains on disposal of investments, net	7,043	22,033	-	-
Fair value gains on financial assets				
at fair value through profit and loss	14,911	20,788	-	-
Impairment losses on available-for-sale investments	(24,322)	(9,441)	-	-
Foreign exchange (losses)/gains, net	(61,879)	153,689	(9,937)	25,431
Dividends	36,659	32,350	381,948	244,346
Other	320	257	12	-
	148,574	444,134	397,134	295,974
<b>Direct expenses</b>				
Investment expense	(80)	(31)	-	-
	148,494	444,103	397,134	295,974

### 6. Property and Other Income

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Rental income	948,707	869,579	-	-
Fair value gains on property valuation (Note15)	300,352	304,867	-	-
	1,249,059	1,174,446	-	-
<b>Other</b>				
Management fees	44,519	44,799	24,126	22,320
Miscellaneous income	20,393	42,016	3,080	-
	64,912	86,815	27,206	22,320

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 7. Operating Expenses by Nature

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Direct cost of property management (Note 15)	442,778	401,201	-	-
Staff costs (Note 9)	148,788	119,692	7,829	11,824
Directors fees	37,695	32,106	21,187	18,112
Professional fees	52,953	40,648	20,119	11,803
Auditor's remuneration	15,012	13,560	3,837	3,461
Information technology services	15,469	14,685	1,284	967
Office expense	8,173	8,050	2,190	2,142
Public relations, advertising and promotion	5,667	5,543	3,090	3,378
Donations	16,911	16,276	1,000	2,401
Bad debts (recoveries)/expenses	(14,142)	6,088	476	4,234
Depreciation	6,379	7,149	762	3,000
Other	44,390	40,098	6,567	7,900
	<u>780,073</u>	<u>705,096</u>	<u>68,341</u>	<u>69,222</u>

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

During 2009 an associated company, Sagicor Life Jamaica, issued ordinary shares to its employees through its ESOP scheme resulting in a gain on dilution of \$11,119,000 recorded in capital reserves. The issue had no material impact on the company's holding in the associated company. Consequent on a change to IAS 28, future gains and losses on dilution of investments in associated companies will be recorded in the income statement.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Staff Costs

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	88,298	70,491	2,479	2,597
Statutory contributions	7,707	6,544	621	630
Pension – funded (Note 20(a))	20,460	8,195	(6,448)	(1,769)
Pension – unfunded (Note 20(b))	1,538	1,780	1,538	1,780
Other post employment benefits (Note 20(c))	8,437	8,971	976	1,010
Stock compensation expense (Note 26)	5,641	9,199	1,036	1,689
Other	16,707	14,512	7,627	5,887
	<u>148,788</u>	<u>119,692</u>	<u>7,829</u>	<u>11,824</u>

### 10. Taxation

#### (a) Composition of tax charge

The taxation charge for the year is comprised of:

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current income tax at 33⅓%	154,796	174,077	-	-
Deferred income taxes (Note 17)	<u>21,548</u>	<u>5,810</u>	<u>-</u>	<u>-</u>
	<u>176,344</u>	<u>179,887</u>	<u>-</u>	<u>-</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 \$31,000,000 (2009 - \$35,000,000).

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Taxation (Continued)

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current income tax				
Profit before tax	1,823,666	2,115,020	315,667	243,036
Tax at 33 ⅓%	607,889	705,006	105,222	81,012
Adjusted for the effects of:				
Income not subject to tax	(93,431)	(158,531)	(112,734)	(81,449)
Share of associates' profit included net of tax	(390,826)	(374,911)	-	-
Expenses not deductible for tax purposes	29,227	8,382	9,452	2,223
Other charges and credits	23,485	(59)	(1,940)	(1,786)
Income tax expense	176,344	179,887	-	-

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

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

	The Group			The Company		
	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000
<b>At 31 December 2010</b>						
Exchange differences on translating foreign operations	(4,760)	-	(4,760)	-	-	-
Fair value gains/(losses) on available-for-sale financial assets	120,775	(9,268)	111,507	35,814	-	35,814
Share of other comprehensive income of associated company	556,132	-	556,132	-	-	-
<b>Other comprehensive income/(loss)</b>	672,147	(9,268)	662,879	35,814	-	35,814
Current income tax	-	-	-	-	-	-
Deferred income tax (Note 17)	(9,268)	-	(9,268)	-	-	-

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 10. Taxation (Continued)

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

	The Group			The Company		
	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000	Before tax \$'000	Tax (charge)/ credit \$'000	After tax \$'000
<b>At 31 December 2009</b>						
Exchange differences on translating foreign operations	9,579	-	9,579	-	-	-
Fair value gains/(losses) on available-for-sale financial assets	68,137	(3,927)	64,210	(16,572)	-	(16,572)
Gain on dilution of shareholding in associated company	11,119	-	11,119	-	-	-
Share of other comprehensive income of associated company	371,633	-	371,633	-	-	-
<b>Other comprehensive income/(loss)</b>	<b>460,468</b>	<b>(3,927)</b>	<b>456,541</b>	<b>(16,572)</b>	<b>-</b>	<b>(16,572)</b>
Current income tax		-			-	
Deferred income tax (Note 17)		(3,927)			-	
		<u>(3,927)</u>			<u>-</u>	

### 11. Earnings Per Stock Unit/Net Profit and Retained Earnings

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.

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. At the end of the financial year, there were no potentially dilutive ordinary shares

	2010	2009
Net profit attributable to stockholders (\$'000)	1,244,498	1,395,677
Weighted average number of stock units in issue (thousands)	171,299	171,299
Basic and fully diluted earnings per stock unit (\$)	<u>\$7.27</u>	<u>\$8.15</u>



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 11. Earnings Per Stock Unit/Net Profit and Retained Earnings (Continued)

The net profit and retained earnings of the group are reflected in the records of the company, its subsidiaries and associated companies as follows:

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Profit</b>		
The company	315,667	243,036
Associated companies	775,449	600,773
Subsidiaries	556,206	1,091,324
	<u>1,647,322</u>	<u>1,935,133</u>
<b>Retained Earnings</b>		
The company	227,447	161,671
Associated companies	3,285,311	2,451,888
Subsidiaries	1,761,661	1,912,351
	<u>5,274,449</u>	<u>4,525,910</u>

Net profit and retained earnings attributable to associated companies and subsidiaries are shown net of dividends.

### 12. Cash and Cash Equivalents

For the purposes of the consolidated and company 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>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances	25,947	18,784	4,731	1,879
Short term deposits	13,252	119,417	-	-
Securities purchased under agreements to resell (Note 14)	909,558	829,048	36,179	3,371
	<u>948,757</u>	<u>967,249</u>	<u>40,910</u>	<u>5,250</u>
Bank overdrafts	(101)	(2,610)	(101)	-
	<u>948,656</u>	<u>964,639</u>	<u>40,809</u>	<u>5,250</u>

Security for the bank overdrafts includes certain specific securities and an unlimited guarantee by the company. The effective interest rate on the overdraft facility was 18% (2009 – 21.17%). Deposits in total for the group amounted to \$32,139,000 (2009 - \$122,144,000) for the group \$17,068,000 (2009 – nil) for the company of which \$13,252,000 (2009 - \$119,417,000) for the group and nil (2009 – nil) for the company had original terms to maturity not exceeding 90 days for the group and the company respectively. Securities purchased under agreements to resell for the group amounted to \$1,093,979,000 of which \$184,421,000 has been hypothecated as guarantee against a loan and does not form a part of cash and cash equivalents.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Investment Securities

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Financial assets at fair value through profit and loss:				
Debt securities	6,244	-	-	-
Equity securities-quoted	152,658	126,404	-	-
	<u>158,902</u>	<u>126,404</u>	<u>-</u>	<u>-</u>
Available-for-sale:				
Debt securities -				
Government of Jamaica	821,038	852,074	256,515	233,391
Corporate	363,975	369,678	-	-
Equity securities - quoted	650,737	566,241	4,228	4,216
	<u>1,835,750</u>	<u>1,787,993</u>	<u>260,743</u>	<u>237,607</u>
Loans and receivables -	<u>12,117</u>	<u>12,272</u>	<u>3,840</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 \$21,938,000 and \$6,719,000 (2009 - \$27,219,000 and \$7,012,000) for the group and the company respectively.

Certain of the group's corporate bonds were impaired as at 31 December. Impairment charges of \$24,322,000 (2009 - \$9,441,000) have been recorded in the income statement.

Included in the group's investments for 2009 were investments with a par value US\$3,500,000 which had been pledged as collateral for loans granted to the group (Note 22).

### 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.

Securities purchased under agreements to resell, totaling \$909,558,000 and \$36,179,00 (2009 - \$829,048,000 and \$3,371,000), for the group and company, respectively, are regarded as cash and cash equivalents for the purposes of the consolidated and company statements of cash flows. Included in securities purchased under agreements to resell is an amount of \$184,421,000 which has been hypothecated as part of a guarantee against for a loan with a lending institution (Note 12).

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 15. Investment Properties

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
At 1 January	3,584,578	3,274,823	-	-
Acquired during the year	3,833	2,420	-	-
Transferred from capital work-in-progress (Note 19)	2,740	2,468	-	-
Disposal	(2,813)	-	-	-
Fair value gains (Note 6)	300,352	304,867	-	-
At 31 December	3,888,690	3,584,578	-	-

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

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Rental income (Note 6)	948,707	869,579	-	-
Direct costs (Note 7)	(442,778)	(401,201)	-	-

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	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Subsidiary companies -				
Balance at 1 January	-	-	96,177	67,671
Acquired during the year	-	-	1,065,556	28,506
Balance at 31 December	-	-	1,161,733	96,177

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Associated companies -				
Sagicor Life Jamaica Limited				
Shareholding at cost	3,580,288	3,493,066	-	-
Share of profit	5,170,745	4,023,778	-	-
Dividends received	(1,968,918)	(1,571,890)	-	-
Share of reserves	328,655	(227,477)	-	-
Gain on dilution of holding	38,936	38,936	-	-
	<u>7,149,706</u>	<u>5,756,413</u>	<u>-</u>	<u>-</u>
Hardware and Lumber Limited				
Shareholding at cost	22,296	22,296	22,296	22,296
Share of losses	(22,779)	(31,789)	-	-
Dividends received	(5,389)	(5,389)	-	-
Impairment loss	(85,071)	(85,071)	-	-
Share of capital reserves	155,684	155,684	-	-
	<u>64,741</u>	<u>55,731</u>	<u>22,296</u>	<u>22,296</u>
New Castle Company Limited				
Shareholding at cost	177,523	177,523	177,523	177,523
Share of profit	31,652	15,152	-	-
	<u>209,175</u>	<u>192,675</u>	<u>177,523</u>	<u>177,523</u>
Impan Properties Limited				
Shareholding at cost	20	20	-	-
Share of profit	58	58	-	-
Share of capital reserve	7,945	7,945	-	-
Current account	(8,888)	(8,888)	-	-
	<u>(865)</u>	<u>(865)</u>	<u>-</u>	<u>-</u>
	<u>7,422,757</u>	<u>6,003,954</u>	<u>199,819</u>	<u>199,819</u>
Comprising:				
Share of net assets	6,518,505	5,105,338	-	-
Goodwill	904,252	898,616	-	-
	<u>7,422,757</u>	<u>6,003,954</u>	<u>-</u>	<u>-</u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

#### Acquisition of Investment in Subsidiaries and Associated Companies

- (a) During the year, the company acquired an additional 29,387,019 (2009 – 1,081,300) shares in its subsidiary, First Jamaica Investments Limited, for a purchase consideration of \$1,072,460,000 (2009- \$28,506,000). On consolidation, the group acquired \$1,193,990,000 (2009 - \$38,933,000) of non-controlling interest. Consequently, the group recorded an increase in reserves (recorded in the statement of changes in equity) of \$121,530,000 in 2010 and, in 2009,– a gain (recorded in the income statement) of \$10,427,000. The difference in the accounting treatment in 2009 and 2010 results from a change in IAS 27, which become effective in 2010. The change in IAS 27 is applied prospectively.
- (b) During the year the company, through its subsidiary, First Jamaica Investments Limited, acquired an additional 12,766,745 (2009 – Nil) stock units of its associated company, Sagicor Life Jamaica Limited for a purchase consideration of \$87,222,000 (2009 – Nil).
- (c) In the 2009 the company, subscribed for 25% of the share capital of New Castle Company Limited Through its ownership of New Castle, the company owns a 25% stake in the operations of the Walkerswood Group of Companies, Associated Manufacturers Limited and Parang Limited producers of specialty foods and cosmetics.

The assets, liabilities, revenue and net profit or (loss) of the associates as at and for the years ended 31 December 2010 and 2009 are as follows:

	<b>Assets \$'000</b>	<b>Liabilities \$'000</b>	<b>Non- controlling interest \$'000</b>	<b>Revenue \$'000</b>	<b>Net Profit/(loss) \$'000</b>
<b>2010</b>					
Sagicor Life Jamaica Limited	143,158,853	116,426,917	1,528,892	25,657,022	4,671,171
Hardware and Lumber Limited	2,983,529	2,032,028	-	5,728,987	19,341
New Castle Company Limited	787,696	317,041	-	673,142	66,000
Impan Properties Limited	44,126	4,032	-	-	-
	<u>146,974,204</u>	<u>118,780,018</u>	<u>1,528,892</u>	<u>32,059,151</u>	<u>4,756,512</u>
<b>2009</b>					
Sagicor Life Jamaica Limited	135,466,417	114,134,447	1,469,261	27,872,526	4,390,112
Hardware and Lumber Limited	2,963,963	2,084,129	-	5,940,599	(249,675)
New Castle Company Limited	461,000	146,778	-	418,026	60,607
Impan Properties Limited	44,126	4,032	-	-	-
	<u>138,935,506</u>	<u>116,369,386</u>	<u>1,469,261</u>	<u>34,231,151</u>	<u>4,201,044</u>

In the prior financial year, Sagicor Life of Jamaica Limited (Sagicor) early adopted IFRS 3/IAS 27 Revised. These standards were not early adopted by the group. As a consequence of Sagicor's early adoption of the standards, certain gains which were realised on the acquisition of non-controlling interests of a subsidiary were recorded equity in Sagicor's financial statements. Due to the fact that the group did not early adopt the aforementioned standards, the group's share of these gains should be recorded in net profit in the books of the group.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

These gains were therefore added to Sagicor's reported net profit for the purposes of determining the share of results of associated companies reported in the group's financial statement as follows:

	<b>\$'000</b>
Sagicor's reported net profit (2009)	4,390,112
Gains on acquisition of non-controlling interest, recycled to income statement to make accounting consistent with the accounting policies of the group	467,954
Net profit used to determine share of associated company results in 2009	<u>4,858,066</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 2010 and 2009.

Assets and liabilities recognised on the statement of financial position are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets	3,903	10,396	1,240	1,240
Deferred tax liabilities	(128,822)	(104,499)	-	-
Net (liability)/asset	<u>(124,919)</u>	<u>(94,103)</u>	<u>1,240</u>	<u>1,240</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January	(94,103)	(84,366)	1,240	1,240
Tax charged to income statement (Note 10)	(21,548)	(5,810)	-	-
Tax charged to components of comprehensive income (Note 10)	(9,268)	(3,927)	-	-
Balance at 31 December	<u>(124,919)</u>	<u>(94,103)</u>	<u>1,240</u>	<u>1,240</u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 17. Deferred Income Taxes (Continued)

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

	The Group						
	Pension and other post employment benefits \$'000	Investment securities \$'000	Interest payable \$'000	Stock compensation provision \$'000	Unutilised tax losses \$'000	Other \$'000	Total \$'000
<b>Deferred income tax assets</b>							
At 1 January 2009	11,010	26,674	17,915	10,775	2,758	3,517	72,649
Credited/(charged) to the income statement	1,653	(11,633)	(1)	2,503	331	(983)	(8,130)
Credited to other comprehensive income	-	(3,927)	-	-	-	-	(3,927)
<b>At 31 December 2009</b>	12,663	11,114	17,914	13,278	3,089	2,534	60,592
Credited/(charged) to the income statement	1,296	(6,254)	(15,384)	1,535	260	3,001	(15,546)
Charged to other comprehensive income	-	(9,268)	-	-	-	-	(9,268)
<b>At 31 December 2010</b>	13,959	(4,408)	2,530	14,813	3,349	5,535	35,778

	The Group						
	Property, plant and equipment \$'000	Pension benefits \$'000	Investment property \$'000	Interest receivable \$'000	Unrealised foreign exchange \$'000	Other \$'000	Total \$'000
<b>Deferred income tax liabilities</b>							
At 1 January 2009	81	13,143	101,303	29,361	12,615	512	157,015
(Credited)/charged to the income statement	-	(10,619)	7,889	4,968	(4,530)	(8)	(2,320)
<b>At 31 December 2009</b>	81	2,524	109,172	34,329	8,085	504	154,695
Charged/(credited) to the income statement	-	(1,702)	7,958	(25,046)	24,792	-	6,002
<b>At 31 December 2010</b>	81	822	117,130	9,283	32,877	504	160,697

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 17. Deferred Income Taxes (Continued)

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

	The Company			
	Pension and other post retirement benefits \$'000	Net lease obligation \$'000	Stock compensation provision \$'000	Total \$'000
<b>Deferred income tax assets</b>				
At 1 January 2009	4,486	626	1,309	6,421
<b>At 31 December 2009</b>	4,486	626	1,309	6,421
<b>At 31 December 2010</b>	4,486	626	1,309	6,421

	The Company				
	Property, plant and equipment \$'000	Pension benefits \$'000	Interest receivable \$'000	Unrealised foreign exchange \$'000	Total \$'000
<b>Deferred income tax liabilities</b>					
At 1 January 2009	81	822	503	3,775	5,181
<b>At 31 December 2009</b>	81	822	503	3,775	5,181
<b>At 31 December 2010</b>	81	822	503	3,775	5,181

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



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 17. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred tax assets to be recovered after more than 12 months	30,813	29,659	4,486	4,486
Deferred tax assets to be recovered within 12 months	4,965	30,933	1,935	1,935
	<u>35,778</u>	<u>60,592</u>	<u>6,421</u>	<u>6,421</u>
Deferred tax liabilities to be settled after more than 12 months	122,998	120,341	903	903
Deferred tax liabilities to be settled within 12 months	37,699	34,354	4,278	4,278
	<u>160,697</u>	<u>154,695</u>	<u>5,181</u>	<u>5,181</u>
Net (liability)/asset	<u>(124,919)</u>	<u>(94,103)</u>	<u>1,240</u>	<u>1,240</u>

### 18. Prepayment and Miscellaneous Assets

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables	18,639	30,557	-	-
Inventories	2,371	2,341	-	-
Managed properties fees receivable	27,081	32,940	-	-
Prepaid expenses	34,614	32,387	-	-
Other receivables	56,617	62,545	594	3,916
Deposits	190,217	23,887	-	-
Land awaiting development	42,168	42,162	-	-
	<u>371,707</u>	<u>226,819</u>	<u>594</u>	<u>3,916</u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(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 2009	65,964	14,325	28,455	14,324	11,483	13,850	148,401
Additions	-	-	1,890	-	6,838	5,024	13,752
Disposals	-	-	-	-	-	(1,796)	(1,796)
Transfers	-	-	-	-	-	(2,468)	(2,468)
31 December 2009	65,964	14,325	30,345	14,324	18,321	14,610	157,889
Additions	-	-	3,569	10,085	31,262	89,605	134,521
Disposals	-	-	-	(6,498)	(4,469)	(437)	(11,404)
Transfers	-	-	7,282	-	-	(10,022)	(2,740)
31 December 2010	65,964	14,325	41,196	17,911	45,114	93,756	278,266
Accumulated Depreciation -							
1 January 2009	4,525	9,711	19,635	4,874	11,483	-	50,228
Charge for year	1,371	-	485	2,865	2,428	-	7,149
31 December 2009	5,896	9,711	20,120	7,739	13,911	-	57,377
Charge for year	1,481	-	600	3,121	1,177	-	6,379
Relieved on disposal	-	-	-	(6,498)	(4,432)	-	(10,930)
31 December 2010	7,377	9,711	20,720	4,362	10,656	-	52,826
Net Book Value -							
31 December 2010	58,587	4,614	20,476	13,549	34,458	93,756	225,440
31 December 2009	60,068	4,614	10,225	6,585	4,410	14,610	100,512

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(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 2009	199	4,121	14,324	957	19,601
Additions	-	1,122	-	-	1,122
31 December 2009	199	5,243	14,324	957	20,723
Additions	-	897	-	16,860	17,757
Disposal	-	-	(6,498)	-	(6,498)
31 December 2010	199	6,140	7,826	17,817	31,982
Accumulated Depreciation -					
1 January 2009	199	3,156	9,914	957	14,226
Charge for the year	-	135	2,865	-	3,000
31 December 2009	199	3,291	12,779	957	17,226
Charge for the year	-	247	515	-	762
Relieved on disposal	-	-	(6,498)	-	(6,498)
31 December 2010	199	3,538	6,796	957	11,490
Net Book Value -					
31 December 2010	-	2,602	1,030	16,860	20,492
31 December 2009	-	1,952	1,545	-	3,497

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 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 2010.

The amounts recognised in the statement of financial position comprise:

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Funded pension obligations (Note 20(a))	31,708	42,088	13,026	5,354
<b>Liabilities</b>				
Unfunded pension obligations (Note 20(b))	13,579	13,656	13,579	13,656
Other (Note 20(c))	62,071	56,267	6,643	6,111
	<u>75,650</u>	<u>69,923</u>	<u>20,222</u>	<u>19,767</u>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Pension obligations - funded (Note 20(a))	20,460	8,195	(6,448)	(1,769)
Pension obligations – unfunded (Note 20(b))	1,599	1,780	1,599	1,780
Recognised actuarial gain	(61)	-	(61)	-
Other post-employment obligations:				
Medical and life insurance (Note 20(c))	8,437	8,971	976	1,010
	<u>30,435</u>	<u>18,946</u>	<u>(3,934)</u>	<u>1,021</u>

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

## 20. Retirement Benefit (Continued)

### (a) Funded pension obligations

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of funded obligations	247,387	151,621	23,923	15,164
Fair value of plan assets	(444,760)	(381,519)	(182,760)	(154,800)
	(197,373)	(229,898)	(158,837)	(139,636)
Unrecognised actuarial losses	(99,237)	(46,114)	(16,471)	(22,092)
Unrecognised asset due to restriction in IAS 19, Paragraph 58	264,902	233,924	162,282	156,374
Asset in the statement of financial position	(31,708)	(42,088)	(13,026)	(5,354)

Sagicor Life Jamaica Limited, an associated company which manages the group's pension fund assets in a pooled pension fund, has invested in ordinary stock units of the company and a subsidiary of the group with a fair value of \$1,139,438,000 and \$62,000 respectively (2009 – \$396,189,000 and \$408,240,000).

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2010

(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:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Beginning of year	151,621	125,800	15,164	13,023
Current service cost	4,833	3,491	559	307
Interest cost	21,282	18,405	1,786	1,878
Contributions by plan participants	8,146	6,065	1,036	409
Actuarial losses	80,833	4,280	11,273	584
Benefits paid	(19,328)	(6,420)	(5,895)	(1,037)
End of year	247,387	151,621	23,923	15,164

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Beginning of year	381,519	321,243	154,800	133,442
Expected return on plan assets	38,099	45,404	15,303	18,679
Actuarial gains	26,245	7,567	16,293	2,719
Employer contributions	10,079	7,660	1,223	588
Employee contributions	8,146	6,065	1,036	409
Benefits paid	(19,328)	(6,420)	(5,895)	(1,037)
End of year	444,760	381,519	182,760	154,800

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 20. Retirement Benefits (Continued)

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

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current service cost	4,833	3,491	559	307
Interest cost	21,282	18,405	1,786	1,878
Expected return on plan assets	(38,098)	(45,404)	(15,302)	(18,679)
Net actuarial gains recognised in year	1,465	1,317	601	989
Change in unrecognised asset	30,978	30,386	5,908	13,736
Total	20,460	8,195	(6,448)	(1,769)

The actual return on plan assets for 2010 was a gain of \$72,141,000 and \$34,530,000 (2009 – gain of \$59,089,000 and \$23,376,000) for the group and the company, respectively.

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2010 %	2009 %	2010 %	2009 %
Discount rate	11.0	16.0	11.0	16.0
Expected return on plan assets	8.2	10.0	8.0	10.0
Future salary increases	8.3	12.0	7.0	12.0
Future pension increases	3.5	4.25	4.0	4.5

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

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### 20. Retirement Benefit (Continued)

#### (b) Unfunded Pension Obligations

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

	<b>The Group and Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligations	13,579	13,656

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

	<b>The Group and Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Beginning of year	13,656	13,491
Expense	1,599	1,780
Recognised actuarial gain	(61)	-
Contributions paid	(1,615)	(1,615)
End of year	13,579	13,656

#### (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 10% per year (2009 – 13.67%).

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

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligations	66,855	44,660	9,489	5,665
Unrecognised actuarial (losses)/gains	(4,784)	11,607	(2,846)	446
Liability in the statement of financial	62,071	56,267	6,643	6,111



# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2010

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## 20. Retirement Benefit (Continued)

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

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

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Beginning of year	44,660	45,142	5,665	5,737
Current service cost	1,837	1,962	104	120
Interest cost	6,942	7,171	872	890
Benefits paid	(2,633)	(2,137)	(444)	(366)
Actuarial gains/(losses)	16,049	(7,478)	3,292	(716)
End of year	66,855	44,660	9,489	5,665

The expense recognised in the income statement is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Current service cost	1,837	1,962	104	120
Interest cost	6,942	7,171	872	890
Net actuarial gains recognised during the year	(342)	(162)	-	-
Total, included in staff costs (Note 9)	8,437	8,971	976	1,010

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

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	8,902	6,911
Effect on the defined benefit obligation	66,689	50,220

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Retirement Benefit (Continued)

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

	The Group			
	2010		2009	
	\$'000	%	\$'000	%
Equity	29,737	7	35,836	9
Debt	370,015	83	305,062	80
Other	45,008	10	40,621	11
	<u>444,760</u>	<u>100</u>	<u>381,519</u>	<u>100</u>

	The Company			
	2010		2009	
	\$'000	%	\$'000	%
Equity	9,246	5	12,483	8
Debt	147,018	80	120,079	78
Other	26,496	14	22,238	14
	<u>182,760</u>	<u>100</u>	<u>154,800</u>	<u>100</u>

Movement in the defined benefit obligation for the post-employment benefits (pension and medical) is as follows:

	The Group			
	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
Present value of defined obligation-funded	247,387	151,621	125,800	122,061
Fair value of plan assets	(444,760)	(381,519)	(321,243)	(353,669)
	<u>(197,373)</u>	<u>(229,898)</u>	<u>(195,443)</u>	<u>(231,608)</u>
Present value of defined obligations -unfunded	<u>81,874</u>	<u>56,465</u>	<u>57,787</u>	<u>59,530</u>
Experience adjustments on plan liabilities-funded	80,833	4,280	10,315	(13,669)
Experience adjustments on plan liabilities-unfunded	19,279	(8,483)	(7,484)	5,862
Experience adjustments on plan assets	<u>(26,245)</u>	<u>(7,567)</u>	<u>52,470</u>	<u>6,051</u>

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

## 20. Retirement Benefit (Continued)

Movement in the defined benefit obligation for the post-employment benefits (pension and medical) is as follows (continued):

	The Company			
	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000
Present value of defined obligation-funded	23,923	15,164	13,023	16,278
Fair value of plan assets	(182,760)	(154,800)	(133,442)	(158,568)
	(158,837)	(139,636)	(120,419)	(142,290)
Present value of defined obligations -unfunded	24,508	17,470	18,382	19,903
Experience adjustments on plan liabilities-funded	11,273	584	13,151	(795)
Experience adjustments on plan liabilities-unfunded	6,522	(1,721)	(2,067)	287
Experience adjustments on plan assets	(16,293)	(2,719)	25,320	2,936

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Related Party Balances and Transactions

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

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Amounts due from related parties:				
Subsidiaries:				
Busha Browne's Company Limited	-	-	76,794	82,077
Portfolio Partners Limited	-	-	-	575
Jamaica Floral Exports Limited	-	-	90,508	90,467
Pan-Jamaican Mortgage Society Limited	-	-	396	392
Jamaica Property Company Limited	-	-	4,578	-
Scott's Preserves Limited	-	-	-	8,050
	-	-	172,276	181,561
Amounts due to related parties:				
Subsidiaries:				
First Jamaica Investments Limited	-	-	144,216	178,398
Jamaica Property Company Limited	-	-	-	3,291
Scott's Preserves Limited	-	-	3,259	-
Panacea Holding Limited	-	-	15,302	-
Associated companies -				
Sagcor Life Jamaica Limited	5,225	5,225	-	-
	5,225	5,225	162,777	181,689
Net (liability)/asset	5,225	5,225	9,499	(128)

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Subsidiaries -				
Management fees paid	-	-	25,123	22,320
Interest paid	-	-	14,372	5,998
Dividends received	-	-	382,680	243,640
Associated companies -				
Dividends received	397,028	523,960	-	-
Other related parties -				
Rental income	76,825	68,203	-	-
Interest and other income earned	45,685	42,866	643	-
Interest and other expenses paid	(22,031)	(24,202)	(17,420)	-
Other expenses	(10,848)	(2,576)	(5,933)	-

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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

(c) Key management compensation:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	51,925	45,374	4,144	4,332
Statutory contributions	4,383	4,011	268	382
Post-employment benefits	(8,313)	1,426	919	370
Share-based compensation	5,641	9,199	1,036	1,689
	<u>53,636</u>	<u>60,010</u>	<u>6,367</u>	<u>6,773</u>
Directors emoluments				
Fees	10,624	5,894	5,873	3,652
Other	11,170	10,129	11,170	10,129
Management compensation (included above)	15,901	15,818	4,144	4,332
	<u>37,695</u>	<u>31,841</u>	<u>21,187</u>	<u>18,113</u>

(d) Loans from related parties

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Total loans from related parties				
Balance at beginning of year	160,707	384,508	-	-
Loans advanced during year	1,067,203	53,653	1,067,203	-
Loans repayments received	(155,334)	(321,195)	-	-
Interest charged	22,031	24,202	17,420	-
Interest paid	(25,120)	(23,066)	(15,506)	-
Foreign exchange loss	5,693	42,605	6,063	-
	<u>1,075,180</u>	<u>160,707</u>	<u>1,075,180</u>	<u>-</u>

(e) Loan Guarantee

Loan guarantees - Jamaica Property Company Limited (JPCo), a subsidiary of the company, has issued a guarantee in the amount of US\$2,161,000 (J\$184,421,000) for a loan owed by the company. As part of the guarantee, JPCo. has hypothecated certain deposit balances it holds with a lending institution.

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 22. Loan Liabilities

				The Group	
	Currency	Rate	Repayable	2010	2009
		%		\$'000	\$'000
Secured -					
(i) First Caribbean International Bank Limited	J\$	15.1	2011	62,161	66,842
(ii) Pan Caribbean Financial Services Limited	US\$	10.00/9.00	2010	-	66,792
(iii) Pan Caribbean Bank Limited	US\$	10.00/9.00	2010	-	89,133
(iv) International Finance Corporation	US\$	6.59	2019	426,704	
(v) Pan Caribbean Financial Services Limited	US\$	7.5	2011	386,376	-
(vi) Pan Caribbean Financial Services Limited	US\$	7.5	2011	686,890	-
Unsecured -					
(vii) JN Properties Limited	J\$	Variable	No fixed date	13,586	13,586
				1,575,717	236,353
Interest payable				15,787	5,571
				1,591,504	241,924

The First Caribbean International Bank Limited loan has a repayment schedule that would result in repayment by 2017. The terms of the loan agreement however allow the bank the option to call the loan at any time.

				The Company	
	Currency	Rate	Repayable	2010	2009
		%		\$'000	\$'000
Secured -					
(v) Pan Caribbean Financial Services Limited	US\$	7.5	2011	386,376	-
(vi) Pan Caribbean Financial Services Limited	US\$	7.5	2011	686,890	-
				1,073,266	-
Interest payable				1,914	-
				1,075,180	-

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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### 22. Loan Liabilities (Continued)

- (i) 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. The loan is scheduled to be repaid by 2017, but is repayable on demand, should such a request be made by the bank. At 31 December 2010, the group was in breach of certain covenants attached to this loan.
- (ii) This balance represented a US\$750,000 loan issued by Pan Caribbean Financial Services Limited. Interest was charged at a rate of 10.0% per annum. The loan was secured by a corporate bond with face value of US\$1,500,000. The loan was repaid in 2010.
- (iii) The balance was made up of two loans issued by Pan Caribbean Bank Limited in the amount of US\$858,000 and US\$142,000. Interest was charged at a rate of 10% per annum on both loans. The loans were secured by corporate bonds with face values of US\$1,716,000 and US\$284,000 respectively. The loans were repaid in 2010.
- (iv) This balance represents the first drawdown on the US\$17,500,000.00 loan facility from International Finance Corporation (IFC), in the amount of US\$5,000,000.00. Interest is charged at 6.59% per annum. The loan is secured by a first mortgage over the Jamaica Tourism Centre, Manor Park Plaza Phase 1, and the Scotia Centre properties. The loan is repayable over eight years, with the first of sixteen semi-annual instalments due January 2012. At 31 December 2010, the group was in breach of two covenants attached to this loan. Subsequent to the end of the financial year, management had entered into negotiations with the IFC and has designed a plan to remedy the breach.
- (v) This balance represents a US\$4,500,000 loan issued by Pan Caribbean Financial Services Limited. Interest is charged at rate of 7.5% per annum. The loan is secured by a charge over 9,600,000 stock units of First Jamaica Investments Limited and guarantee from JPCo, which guarantee is supported by hypothecated deposits. The loan is repayable in 2011.
- (vi) This balance represents a US\$8,000,000 loan issued by Pan Caribbean Financial Services Limited. Interest is charged at 7.5% per annum. The loan is secured by charge over 38,000,000 stock units of First Jamaica Investments Limited and is repayable in the year 2011.
- (vii) 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.



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 23. Finance Lease Liability

The finance lease obligations are as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Minimum lease payments under finance leases:				
Not later than 1 year	3,259	3,239	211	1,269
Later than 1 year and not later than 5 years	10,677	320	-	184
	13,936	3,559	211	1,453
Future finance charges	(4,092)	(347)	(31)	(140)
Present value of finance lease obligations	9,844	3,212	180	1,313

The present value of the lease obligations is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not later than 1 year	1,807	2,898	180	1,132
Later than 1 year and not later than 5 years	8,037	314	-	181
	9,844	3,212	180	1,313

### 24. Other Liabilities

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Promissory note – managed funds	25,197	23,885	-	-
Other liabilities and accrued expenses	141,565	171,891	23,243	29,965
Trade payables	34,976	18,725	-	-
Accounts payable	17,945	18,627	17,945	18,627
	219,683	233,128	41,188	48,592

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 25. Share Capital

	2010	2009
	No.	No.
	'000	'000
Authorised share capital of no par value -		
Ordinary shares	200,000	200,000
	<u>200,000</u>	<u>200,000</u>
	<b>\$'000</b>	<b>\$'000</b>
Issued and fully paid - 173,535,078 stock units	185,354	185,354
	<u>185,354</u>	<u>185,354</u>

### 26. Share Options/Equity Compensation Reserve

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 2010, 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 2,450,000 shares were vested and exercisable at 31 December 2010 (2009 – 1,837,500).

The group and the company have recognised share-based compensation of \$5,641,000 and \$1,036,000 (2009 - \$9,199,000 and \$1,689,000) respectively.

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.

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

## 26. Share Options/Equity Compensation Reserve (Continued)

The significant inputs into the model were as follows:

	<b>Share Options</b>
<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.

## 27. Property Revaluation Reserve

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

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 28. Investment and Other Reserves

These comprise:

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value gains/(losses)/gains on investments	61,792	(40,454)	26,049	(9,765)
Capital reserves	1,958,954	1,842,184	146,823	146,823
Capital redemption reserves	2,176	2,176	-	-
Share of other comprehensive income of associated companies	865,686	404,115	-	-
	<u>2,888,608</u>	<u>2,208,021</u>	<u>172,872</u>	<u>137,058</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 subsidiaries and associates	433,516	433,516	-	-
Reserve arising on acquisition of additional shares in subsidiary	121,530	-	-	-
Other	233,554	238,314	146,823	146,823
	<u>1,958,954</u>	<u>1,842,184</u>	<u>146,823</u>	<u>146,823</u>

Included in fair value losses on investments for the group is deferred tax charge of \$4,763,000 (2009 – deferred tax credit \$4,403,000) for unrealised gains/losses on investments.

### 29. Dividends

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
First interim dividend for 2010 at \$0.45 (includes special dividend of \$0.10) (2009 - \$0.25, special dividend – nil) per stock unit – gross	78,091	43,384
Second interim dividend for 2010 at \$0.35 (2009 - \$0.30) per stock unit – gross	60,738	52,061
Third interim dividend for 2010 at \$0.32 (2009 - \$0.30) per stock unit – gross	55,531	52,061
Fourth interim dividend for 2010 at \$0.32 (2009 - \$0.51, includes special dividend - \$0.16) per stock unit - gross	55,531	88,502
	<u>249,891</u>	<u>236,008</u>
Less: Dividends received on treasury stocks	(3,214)	(3,035)
	<u>246,677</u>	<u>232,973</u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 30. Cash Flows from Operating Activities

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net profit	1,647,322	1,935,133	315,667	243,036
Adjustments to reconcile net profit to cash flows provided by operating activities:				
Depreciation of property, plant and equipment	6,379	7,149	762	3,000
Stock compensation provision	5,641	9,199	1,036	1,689
Interest income	(175,842)	(224,458)	(25,111)	(26,197)
Interest expense	61,683	51,058	40,332	6,036
Share of results of associated companies	(1,172,477)	(1,124,733)	-	-
Gain on acquisition of shares in subsidiary	-	(10,427)	-	-
Income tax expense	176,344	179,887	-	-
Change in retirement benefit asset/obligation	16,107	7,534	(7,217)	(1,548)
Losses/(gains) on sale of property, plant and equipment	207	1,796	(3,080)	-
Fair value gains on investment properties	(300,352)	(304,867)	-	-
Loss/(gains) on foreign currency denominated investment	74,475	(198,933)	3,874	(25,431)
Unrealised (gain)/loss on foreign currency denominated loans	(12,596)	45,244	6,063	-
Impairment of investment assets	24,322	-	-	-
Unrealised (gains)/losses on financial assets at fair value through profit and loss	(14,911)	(20,788)	-	-
	336,302	352,794	332,326	200,585
Changes in operating assets and liabilities:				
Taxation recoverable	10,395	33,052	2,412	4,147
Other assets, net	20,113	73,398	3,315	808
Other liabilities, net	(9,768)	(56,459)	(6,175)	(432)
	357,042	402,785	331,878	205,108
Interest received	184,455	238,254	25,365	25,479
Income tax paid	(192,054)	(89,728)	-	-
Net cash provided by operating activities	349,443	551,311	357,243	230,587

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Not later than 1 year	324,064	277,692	-	-
Later than 1 year and not later than 5 years	480,905	497,247	-	-
Later than 5 years	50,574	37,019	-	-
	<u>855,543</u>	<u>811,958</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.

In February 2010, the group and company participated in the Jamaica Debt Exchange (JDX) transaction under which the group and company exchanged their holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments available under the election options contained in the agreement. The JDX transaction resulted in a reduction in yields and an increase in the tenor of locally issued Government of Jamaica securities and, therefore, had a significant impact on financial risks.

#### (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 function which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

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

#### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the 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

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Financial Risk Management (Continued)

#### (a) Market risk (continued)

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

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

##### Concentration of currency risk

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

	The Group			
	2010			
	Jamaican \$	US\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000
<b>Financial assets</b>				
Cash and bank balances	22,078	3,576	293	25,947
Deposits	1,819	30,318	2	32,139
Investment securities	430,120	1,421,696	154,953	2,006,769
Securities purchased under agreements to resell	363,672	730,307	-	1,093,979
Trade and other receivables	100,504	112,390	-	212,894
Total financial assets	918,193	2,298,287	155,248	3,371,728
<b>Financial liabilities</b>				
Bank overdraft	101	-	-	101
Due to related parties	5,225	-	-	5,225
Loan liabilities	76,403	1,515,101	-	1,591,504
Finance lease liability	9,844	-	-	9,844
Other liabilities	175,187	44,496	-	219,683
Total financial liabilities	266,760	1,559,597	-	1,826,357
<b>Net position</b>	651,433	738,690	155,248	1,545,371

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(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 Group			
	2009			
	Jamaican \$	US\$	Other	Total
	J\$'000	J\$'000	J\$'000	J\$'000
<b>Financial assets</b>				
Cash and bank balances	13,556	4,912	316	18,784
Deposits	1,707	111,002	9,435	122,144
Investment securities	521,445	1,212,736	192,488	1,926,669
Securities purchased under agreements to resell	296,084	532,964	-	829,048
Trade and other receivables	149,929	-	-	149,929
Total financial assets	982,721	1,861,614	202,239	3,046,574
<b>Financial liabilities</b>				
Bank overdraft	2,610	-	-	2,610
Due to related parties	5,225	-	-	5,225
Loan liabilities	81,219	160,705	-	241,924
Finance lease liability	3,212	-	-	3,212
Other liabilities	187,018	46,110	-	233,128
Total financial liabilities	279,284	206,815	-	486,099
<b>Net position</b>	703,437	1,654,799	202,239	2,560,475



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(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		
	2010		
	Jamaican \$	US\$	Total
	J\$'000	J\$'000	J\$'000
<b>Financial assets</b>			
Cash and bank balances	3,123	1,608	4,731
Deposit	-	17,068	17,068
Investment securities	8,068	256,515	264,583
Securities purchased under agreements to resell	6,000	30,179	36,179
Due from related parties	172,276	-	172,276
Receivables	594	-	594
Total financial assets	190,061	305,370	495,431
<b>Financial liabilities</b>			
Bank overdraft	101	-	101
Due to related parties	3,259	159,518	162,777
Loan liabilities	-	1,075,180	1,075,180
Finance lease liability	180	-	180
Other liabilities	41,188	-	41,188
Total financial liabilities	44,628	1,234,698	1,279,426
<b>Net position</b>	145,433	(929,328)	(783,995)

	The Company		
	2009		
	Jamaican \$	US\$	Total
	J\$'000	J\$'000	J\$'000
<b>Financial assets</b>			
Cash and bank balances	1,470	409	1,879
Investment securities	8,211	233,391	241,602
Securities purchased under agreements to resell	-	3,371	3,371
Due from related parties	181,561	-	181,561
Receivables	3,916	-	3,916
Total financial assets	195,158	237,171	432,329
<b>Financial liabilities</b>			
Due to related parties	32,854	148,835	181,689
Finance lease liability	1,313	-	1,313
Other liabilities	48,592	-	48,592
Total financial liabilities	82,759	148,835	231,594
<b>Net position</b>	112,399	88,336	200,735

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(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 5% increase and 5% decrease (2009 - 5% increase and 1% decrease) in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of US dollar-denominated monetary financial securities classified as available for sale and fair value through profit and loss foreign exchange losses/gains on translation of US dollar-denominated borrowings. The sensitivity of other components of equity was as result of translation gains/losses on foreign currency denominated equities classified as available for sale.

The Group						
	% Change in Currency Rate 2010	Effect on Profit before Tax 2010 \$'000	Effect on other component of equity 2010 \$'000	% Change in Currency 2009	Effect on Profit before Tax 2010 \$'000	Effect on other component of equity 2010 \$'000
Currency:						
USD	5%	(1,821)	38,755	5%	2,588	80,152
USD	-5%	1,821	(38,755)	-1%	(518)	(16,030)

The Company						
	% Change in Currency Rate 2010	Effect on Profit before Tax 2010 \$'000	Effect on other component of equity 2010 \$'000	% Change in Currency Rate 2009	Effect on Profit before Tax 2009 \$'000	Effect on other component of equity 2010 \$'000
Currency:						
USD	5%	(40,161)	-	5%	11,457	-
USD	-5%	40,161	-	-1%	(2,292)	-

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2010:							
Financial assets							
Cash and bank balances	25,947	-	-	-	-	-	25,947
Deposits	13,252	-	18,887	-	-	-	32,139
Investment securities		30,182	268,469	341,435	563,288	803,395	2,006,769
Securities purchased under agreements to resell	768,609	325,370	-	-	-	-	1,093,979
Trade and other receivables	-	25,515	-	-	-	187,379	212,894
Total financial assets	807,808	381,067	287,356	341,435	563,288	990,774	3,371,728
Financial liabilities							
Bank overdraft	101	-	-	-	-	-	101
Due to related parties	-	-	-	-	-	5,225	5,225
Loan liabilities	1,191,542		386,376		13,586	-	1,591,504
Finance lease liability	-	180	-	9,664	-	-	9,844
Other liabilities	-		27,716	-	-	191,967	219,683
Total financial liabilities	1,191,643	180	414,092	9,664	13,586	197,192	1,826,357
Total interest repricing gap	(383,835)	380,887	(126,736)	331,771	549,702	793,582	1,545,371
Cumulative interest repricing gap							
	(383,835)	2,948	(129,684)	202,087	751,789	1,545,371	

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Financial Risk Management (Continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2009:							
Financial assets							
Cash and bank balances	18,784	-	-	-	-	-	18,784
Deposits	119,417	-	2,727	-	-	-	122,144
Investment securities	179,541	268,257	177,733	210,336	398,157	692,645	1,926,669
Securities purchased under agreements to resell	494,890	334,158	-	-	-	-	829,048
Trade and other receivables	23,887	-	-	-	-	126,042	149,929
Total financial assets	836,519	602,415	180,460	210,336	398,157	818,687	3,046,574
Financial liabilities							
Bank overdraft	2,610	-	-	-	-	-	2,610
Due to related parties	-	-	-	-	-	5,225	5,225
Loan liabilities	228,338				13,586	-	241,924
Finance lease liability	-	-	-	3,212	-	-	3,212
Other liabilities	27,846	2,338	-	-	-	202,944	233,128
Total financial liabilities	258,794	2,338	-	3,212	13,586	208,169	486,099
Total interest repricing gap	577,725	600,077	180,460	207,124	384,571	610,518	2,560,475
Cumulative interest repricing gap							
	577,725	1,177,802	1,358,262	1,565,386	1,949,957	2,560,475	

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Financial Risk Management (Continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

	The Company						Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At 31 December 2010:							
Financial assets							
Cash and bank balances	4,731	-	-	-	-	-	4,731
Deposit	-	-	17,068	-	-	-	17,068
Investment securities			132,501		127,854	4,228	264,583
Securities purchased under agreements to resell	21,364	14,815	-	-	-	-	36,179
Due from related parties						172,276	172,276
Receivables						594	594
Total financial assets	26,095	14,815	149,569	-	127,854	177,098	495,431
Financial liabilities							
Bank Overdraft	101	-	-	-	-	-	101
Due to related parties	-	-	159,518	-	-	3,259	162,777
Loan liabilities	688,804	-	386,376	-	-	-	1,075,180
Finance lease liability	-	180	-	-	-	-	180
Other liabilities	-	-	-	-	-	41,188	41,188
Total financial liabilities	688,905	180	545,894	-	-	44,447	1,279,426
Total interest repricing gap	(662,810)	14,635	(396,325)	-	127,854	132,651	(783,995)
Cumulative interest repricing gap	(662,810)	(648,175)	(1,044,500)	(1,044,500)	(916,646)	(783,995)	

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 32. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2009:							
Financial assets							
Cash and bank balances	1,879	-	-	-	-	-	1,879
Investment securities	-	-	-	138,265	99,121	4,216	241,602
Securities purchased under agreements to resell	3,371	-	-	-	-	-	3,371
Due from related parties	-	-	-	-	-	181,561	181,561
Receivables	-	-	-	-	-	3,916	3,916
Total financial assets	5,250	-	-	138,265	99,121	189,693	432,329
Financial liabilities							
Due to related parties	-	-	178,398	-	-	3,291	181,689
Finance lease liability	-	-	-	1,313	-	-	1,313
Other liabilities	-	-	-	-	-	48,592	48,592
Total financial liabilities	-	-	178,398	1,313	-	51,883	231,594
Total interest repricing gap	5,250	-	(178,398)	136,952	99,121	137,810	200,735
Cumulative interest repricing gap	5,250	5,250	(173,148)	(36,196)	62,925	200,735	

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 32. Financial Risk Management (Continued)

### (a) Market risk (continued)

#### (ii) Interest rate risk (continued)

##### *Interest rate sensitivity*

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

The group's and company's interest rate risk arises from investment securities, securities purchased under agreements to resell and long term borrowings. The sensitivity of the income statement is the effect of the assumed changes in interest rates on net income based on floating rate financial assets and floating rate liabilities. The sensitivity of other components of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

	The Group		The Company	
	Effect on Profit before Taxation 2010 \$'000	Effect on Other Components of Equity 2010 \$'000	Effect on Profit before Taxation 2010 \$'000	Effect on Other Components of Equity 2010 \$'000
Change in percentage points:				
+ 2	4,391	(1,860)	(4,978)	(303)
- 1	(1,392)	1,453	5,038	304

	The Group		The Company	
	Effect on Profit before Taxation 2009 \$'000	Effect on Other Components of Equity 2009 \$'000	Effect on Profit before Taxation 2009 \$'000	Effect on Other Components of Equity 2009 \$'000
Change in percentage points:				
+ 2	14,161	(6,115)	68	(1,228)
- 6	(42,484)	18,474	(203)	5,490

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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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 and company are exposed to equity price risk because of investments held by the group and company classified on the respective statements of financial position either as available-for-sale or at fair value through profit or loss. The group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact total stockholders' equity (before tax) of a 10% (2009- 10%) increase/decrease in equity prices is an increase/decrease of \$80,339,000 and \$422,000 (2009 – \$69,264,000 and \$422,000) 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 and the company have significant concentrations of credit risk in Government of Jamaica issued securities. The group and company have policies in place to ensure that property rentals and services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. The group manages its credit risk by screening its customers, establishing credit limits, obtaining bankers' guarantees or collateral for loans where applicable, the rigorous follow-up of receivables and ensuring investments are low-risk or, are held with sound financial institutions.

##### (i) Trade receivables

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

##### (ii) Investments

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

##### (iii) Guarantees

The group's policy is not to provide financial guarantees to any other party than wholly-owned subsidiaries.



# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Financial Risk Management (Continued)

#### (b) Credit risk (continued)

##### Maximum exposure to credit risk

	Maximum exposure			
	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Credit risk exposures relating to on statement of financial position items are as follows:				
<b>Assets:</b>				
Cash and bank balances	25,947	18,784	4,731	1,879
Deposits	32,139	122,144	-	-
Available-for-sale securities	1,185,013	1,221,752	256,515	233,391
Fair value through profit and loss securities	6,244	-	-	-
Loans and receivables	12,117	12,272	3,840	3,995
Securities purchased under agreements to resell	1,093,979	829,048	53,247	3,371
Trade and other receivables	212,894	149,929	-	-
Due from related parties	-	-	172,276	181,561
	<u>2,568,333</u>	<u>2,353,929</u>	<u>490,609</u>	<u>424,197</u>
Credit risk exposures relating to assets not recorded on the statement of financial position				
Lease commitments	<u>855,430</u>	<u>811,958</u>	<u>-</u>	<u>-</u>

The above table represents a worst case scenario of credit risk exposure to the group and company at 31 December 2010 and 2009, without taking account of any collateral held or other credit enhancements. For assets carried on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. An impairment loss was recognised by the group for the year ended 31 December 2010 for \$24,322,000 for certain investment securities (2009 – \$9,441,000).

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 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	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Commercial	10,780	31,880	-	-
Retail	11,560	10,600	-	-
Managed properties	27,081	32,940	-	-
	49,421	75,420	-	-
Less: Provision for credit losses	(3,701)	(11,923)	-	-
	45,720	63,497	-	-

Credit quality of trade receivables are summarized as follows:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Neither past due nor impaired -				
Standard	37,052	55,918	-	-
Past due but not impaired	8,668	7,579	-	-
Impaired	3,701	11,923	-	-
<b>Gross</b>	49,421	75,240	-	-
Less: Provision for credit losses	(3,701)	(11,923)	-	-
<b>Net</b>	45,720	63,497	-	-

All trade receivables are receivable from customers in Jamaica.

# Pan-Jamaican Investment Trust Limited

Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

## 32. Financial Risk Management (Continued)

### (b) Credit risk (continued)

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
31 to 60 days	470	2,824	-	-
61 to 90 days	695	52	-	-
Over 90 days	7,503	4,703	-	-
	<u>8,668</u>	<u>7,579</u>	<u>-</u>	<u>-</u>

The amounts above include managed properties fees receivables of \$32,940,000 (2008 - \$39,082,000) (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 and company to businesses and government by sectors in respect of investments (excluding equities, investments in subsidiaries and associated companies):

	<b>The Group</b>		<b>The Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Government of Jamaica	821,038	852,074	256,515	233,391
Corporate	<u>1,508,454</u>	<u>1,333,142</u>	<u>40,019</u>	<u>7,366</u>
	<u>2,329,492</u>	<u>2,185,216</u>	<u>296,534</u>	<u>240,757</u>

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

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### 32. Financial Risk Management (Continued)

#### (c) Liquidity risk

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

#### **Liquidity risk management process**

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

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

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Financial Risk Management (Continued)

#### (c) Liquidity risk (continued)

Financial assets and liabilities cash flows

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

	The Group						
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	Total \$'000
As at 31 December 2010							
Financial assets							
Cash and bank balances	26,197	-	-	-	-	-	26,197
Deposits	13,258	-	19,117	-	-	-	32,375
Investment securities	5,433	51,711	337,161	565,406	672,594	803,305	2,435,610
Securities purchase under agreements to resell	769,923	325,463	-	-	-	-	1,095,386
Trade and other receivables	-	87,216	31,341	85,341	-	-	203,898
Total financial assets (contractual maturity dates)	814,811	464,390	387,619	650,747	672,594	803,305	3,793,466
Financial liabilities							
Bank overdraft	101	-	-	-	-	-	101
Due to related parties	-	-	-	-	5,225	-	5,225
Loans	1,191,542	793	411,616	19,020	18,342	-	1,641,313
Finance leases	311	765	2,187	10,673	-	-	13,936
Other liabilities	62,828	52,909	114,438	1,900	-	-	232,075
Total financial liabilities (contractual maturity date)	1,254,782	54,467	528,241	31,593	23,567	-	1,892,650
Net Liquidity Gap	(439,971)	409,923	(140,622)	619,154	649,027	803,305	1900,816
Cumulative Liquidity Gap	(439,971)	(30,048)	(170,670)	448,484	1,097,511	1,900,816	
Total financial assets (expected maturity dates)							
	814,811	464,390	387,619	650,747	672,594	803,305	3,793,466
Total financial liabilities (expected maturity dates)							
	65,612	55,627	1,262,146	398,119	367,060	-	2,148,564
Net Liquidity Gap	749,199	408,763	(874,527)	252,628	305,534	803,305	1,644,902
Cumulative Liquidity Gap (expected maturity dates)	749,199	1,157,962	283,435	536,063	841,597	1,644,902	

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Financial Risk Management (Continued)

#### (c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
<b>As at 31 December 2009</b>							
<b>Financial assets</b>							
Cash and bank balances	18,784	-	-	-	-	-	18,784
Deposits	119,516	-	2,884	-	-	-	122,400
Investment securities	49,162	360,172	302,896	442,795	549,804	692,645	2,397,474
Securities purchase under agreements to resell	496,139	337,398	-	-	-	-	833,537
Trade and other receivables	24,030	73,506	52,536	-	-	-	150,072
Total financial assets (contractual maturity dates)	707,631	771,076	358,316	442,795	549,804	692,645	3,522,267
<b>Financial liabilities</b>							
Bank overdraft	2,610	-	-	-	-	-	2,610
Due to related parties	-	-	-	-	5,225	-	5,225
Loans	228,733	793	3,566	19,020	18,342	-	270,454
Finance leases	417	514	2,310	318	-	-	3,559
Other liabilities	28,116	110,158	95,054	-	-	-	233,328
Total financial liabilities (contractual maturity date)	259,876	111,465	100,930	19,338	23,567	-	515,176
<b>Net Liquidity Gap</b>	447,755	659,611	257,386	423,457	526,237	692,645	3,007,091
<b>Cumulative Liquidity Gap</b>	447,755	1,107,366	1,364,752	1,788,209	2,314,446	3,007,091	
<b>Total financial assets (expected maturity dates)</b>	707,631	771,076	358,316	442,795	549,804	692,645	3,522,267
<b>Total financial liabilities (expected maturity dates)</b>	46,722	262,514	109,561	64,673	55,994	-	539,464
<b>Net Liquidity Gap</b>	660,909	508,562	248,755	378,122	493,810	692,645	2,982,803
<b>Cumulative Liquidity Gap (expected maturity dates)</b>	660,909	1,169,471	1,418,226	1,796,348	2,290,158	2,982,803	

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Financial Risk Management (Continued)

#### (c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
<b>As at 31 December 2010:</b>							
<b>Assets</b>							
Cash and bank balances	4,731	-	-	-	-	-	4,731
Deposits	-	-	17,189	-	-	-	17,189
Investment securities	5,134	-	140,666	41,072	155,070	4,228	346,170
Securities purchased under agreements to resell	21,386	14,863	-	-	-	-	36,249
Due from related parties	-	-	-	172,276	-	-	172,276
Receivables	-	-	594	-	-	-	594
Total financial assets (contractual maturity dates)	31,251	14,863	158,449	213,348	155,070	4,228	577,209
<b>Liabilities</b>							
Overdraft	101	-	-	-	-	-	101
Due to related parties	15,338	2,164	150,737	3,259	-	-	171,498
Loans	688,804	-	408,050	-	-	-	1,096,854
Finance lease	-	211	-	-	-	-	211
Other liabilities	-	-	41,188	-	-	-	41,188
Total financial liabilities (contractual maturity dates)	704,243	2,375	599,975	3,259	-	-	1309,852
<b>Net Liquidity Gap</b>	(672,992)	12,488	(441,526)	210,089	155,070	4,228	(732,643)
<b>Cumulative Liquidity Gap</b>	(672,992)	(660,504)	(1,102,030)	(891,941)	(736,871)	(732,643)	

# Pan-Jamaican Investment Trust Limited

## Notes to the Financial Statements

31 December 2010

(expressed in Jamaican dollars unless otherwise indicated)

### 32. Financial Risk Management (Continued)

#### (c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December 2009:							
Assets							
Cash and bank balances	1,879	-	-	-	-	-	1,879
Investment securities	5,358	-	21,054	184,292	92,854	4,216	307,774
Securities purchased under agreements to resell	3,381	-	-	-	-	-	3,381
Due from related parties	-	-	-	181,561	-	-	181,561
Receivables	-	-	3,916	-	-	-	3,916
Total financial assets (contractual maturity dates)	10,618	-	24,970	365,853	92,854	4,216	498,511
Liabilities							
Due to related parties	-	-	194,066	-	-	-	194,066
Finance lease	253	185	830	185	-	-	1,453
Other liabilities	-	-	48,592	-	-	-	48,592
Total financial liabilities (contractual maturity dates)	253	185	243,488	185	-	-	244,111
Net Liquidity Gap	10,365	(185)	(218,518)	365,668	92,854	4,216	254,400
Cumulative Liquidity Gap	10,365	10,180	(208,338)	157,330	250,184	254,400	



# Pan-Jamaican Investment Trust Limited

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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 non-controlling interest. The Board of Directors also monitors and approves the level of dividends to ordinary stockholders.

The group will from time to time purchase its own shares on the market for 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 have no externally imposed capital requirements.

### 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 statement of financial position dates.

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

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

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

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### 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 Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
		<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>					
Investment in associated companies		7,422,757	6,604,112	6,003,954	6,502,369
Loans and receivables		12,117	11,510	12,272	11,568
		<b>The Company</b>			
		<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Investment in associated companies		199,819	247,909	199,819	251,615
Loans and receivables		3,840	3,233	3,995	3,298
		<b>The Group</b>			
		<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Liabilities</b>					
Loan liabilities		1,591,504	1,576,891	238,275	241,925
Finance lease liability		9,844	13,936	3,212	3,559
		<b>The Company</b>			
		<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Loan liabilities		1,075,180	1,069,520	1,000	977
Finance lease liability		180	211	1,313	1,453

Balances for other financial assets and liabilities carried at amortised cost, approximates their fair value because of their short term nature.

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### 33. Fair Value of Financial Instruments (Continued)

Effective 1 January 2009, the group adopted the amendment to IFRS 7 for financial instruments that are carried on the statement of financial position at fair value. The amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the group's financial assets that are measured at fair value at 31 December:

<b>The Group</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 31 December 2010</b>				
<b>Financial assets</b>				
Investment securities	<u>803,395</u>	<u>959,213</u>	<u>232,044</u>	<u>1,994,652</u>
<b>As at 31 December 2009</b>				
<b>Financial assets</b>				
Investment securities	<u>692,645</u>	<u>887,537</u>	<u>334,215</u>	<u>1,914,397</u>
<b>The Company</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 31 December 2010</b>				
<b>Financial assets</b>				
Investment securities	<u>4,228</u>	<u>256,515</u>	<u>-</u>	<u>260,743</u>
<b>As at 31 December 2009</b>				
<b>Financial assets</b>				
Investment securities	<u>4,216</u>	<u>233,391</u>	<u>-</u>	<u>237,607</u>

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### 33. Fair Value of Financial Instruments (Continued)

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

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

### 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.