



A lifetime dedicated to investing in Jamaica.



PAN-JAMAICAN
INVESTMENT TRUST LIMITED

2012 ANNUAL REPORT

“... Encouraging a culture of participation, at the same time being seen to take responsibility based on my philosophy that somebody has to lead; being straightforward and fair have been important elements in reaching for the kind of operational style and results we have wanted for our company.”

– Hon. Maurice W. Facey, OJ., JP



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Financial Highlights

\$21,432m

\$16,420m

Total assets

(2011: \$15,923m)

\$2,082m

Net profit attributable to owners of the parent
(2011: \$1,759m)

Stockholders' equity
(2011: \$14,636m)

\$9.77

Earnings per stock unit
(2011: \$9.37)

\$2.05

Total dividend per stock unit
(2011: \$1.54)

	2012	2011	2010	2009
SELECTED FINANCIAL DATA (\$'000)				
Total assets	21,432,431	15,923,122	15,150,894	12,923,242
Investments & other earning assets	20,312,134	14,988,306	14,444,334	12,466,393
Stockholders' equity (net worth)	16,420,481	14,636,448	10,616,871	8,933,605
Profit before tax	2,230,458	2,111,138	1,823,666	2,115,020
Net profit attributable to equity holders	2,081,551	1,758,990	1,244,498	1,395,677
Dividends paid, gross	437,126	302,971	249,891	236,008
Retained earnings	7,991,847	6,503,785	5,274,449	4,525,910

FINANCIAL RATIOS				
Net worth per stock unit	\$77.05	\$68.68	\$61.98	\$52.15
Earnings per stock unit (basic)	\$9.77	\$9.37	\$7.27	\$8.15
Price earnings ratio	5.9	6.4	6.5	4.3
Dividends paid per stock unit	\$2.050	\$1.540	\$1.440	\$1.360
Dividend payout ratio (%)	21.0%	16.4%	20.1%	16.9%
Weighted average number of stock units	213,102	187,704	171,299	171,299
Return on opening equity (%)	14.2%	16.6%	13.9%	18.8%
Return on average equity (%)	13.4%	13.9%	12.7%	17.1%
Change in stockholders equity	12.2%	37.9%	18.8%	20.2%

OTHER DATA				
Stock price at year end (\$)	\$57.55	\$60.01	\$47.00	\$34.70
Price change from last year (%)	-4.2%	27.7%	35.4%	38.9%
JSE market index at year end	92,101	95,297	85,221	83,322
Change in JSE Index (%)	-3.4%	11.8%	2.3%	4.0%
Exchange rate J\$: US\$	\$92.56	\$86.37	\$85.60	\$89.33
Annual Inflation rate (%)	8.0%	6.1%	11.7%	10.2%

10 YEAR STATISTICAL REVIEW

	2008	2007	2006	2005	2004	2003
	11,118,756	10,592,615	10,528,927	9,363,841	9,176,238	24,182,525
	10,546,567	9,961,823	9,811,108	8,839,199	7,887,336	20,886,917
	7,430,746	7,095,698	6,991,015	6,102,785	4,187,953	2,989,858
	1,699,803	1,500,745	1,249,431	2,941,325	1,013,138	965,331
	1,142,247	991,109	822,592	2,043,572	1,196,955	652,179
	173,536	806,938	164,865	168,528	129,235	92,083
	3,586,705	2,862,865	4,195,662	3,695,940	3,182,081	2,103,036

	\$43.38	\$41.42	\$40.81	\$35.63	\$24.23	\$17.37
	\$6.67	\$5.79	\$4.80	\$11.93	\$7.01	\$3.79
	3.7	8.6	11.8	4.6	7.7	4.9
	\$1.000	\$4.650	\$0.950	\$0.973	\$0.747	\$0.535
	15.2%	81.4%	20.0%	8.2%	10.8%	14.1%
	171,299	171,299	171,299	171,289	170,796	172,119
	16.1%	14.2%	13.5%	48.8%	40.0%	27.9%
	15.7%	14.1%	12.6%	39.7%	33.4%	24.5%
	4.7%	1.5%	14.6%	45.7%	40.1%	28.0%

	\$24.98	\$49.50	\$56.50	\$55.00	\$53.00	\$18.71
	-49.5%	-12.4%	2.7%	3.8%	183.3%	31.7%
	80,152	107,968	100,678	102,445	104,001	60,304
	-25.8%	7.2%	-1.7%	-1.5%	72.5%	46.9%
	\$80.22	\$70.18	\$66.92	\$64.10	\$61.73	\$60.24
	16.8%	16.8%	5.8%	15.9%	11.6%	14.1%



Notice of Annual General Meeting

Notice is hereby given that the Forty-Ninth Annual General Meeting of Pan-Jamaican Investment Trust Limited will be held at 12th Floor, 60 Knutsford Boulevard, Kingston 5 on Thursday, 30 May 2013, at 2:30p.m. for the following purposes:

1. To receive the Audited Financial

Statements for the year ended 31 December 2012, and the Reports of the Directors and Auditors thereon.

To consider and (if thought fit) pass the following Resolution:

"THAT the Audited Accounts for the year ended 31 December 2012 together with the Reports of the Directors and the Auditors thereon be and are hereby adopted."

2. Dividend

To declare the interim dividends of \$2.05 paid during the year, as final dividend for the year ended 31 December 2012.

To consider and (if thought fit) pass the following Resolution:

"THAT the interim dividends of 50 cents paid 30 March 2012, 50 cents paid 22 June 2012, 50 cents paid 21 September 2012, 55 cents paid 20 December 2012, making a total of \$2.05 be declared as final dividend for the year ended 31 December 2012."

3. To elect Directors

- (i) The Directors retiring by rotation pursuant to Article 89 of the Articles of Incorporation are Messrs. Donovan H. Perkins, Richard O. Byles and Mrs. Kathleen A. J. Moss, who being eligible offer themselves for re-election.

To consider and (if thought fit) pass the following Resolutions:

- (a) "THAT the retiring Director Mr. Donovan H. Perkins be re-elected a Director of the Company."
(b) "THAT the retiring Director Mr. Richard O. Byles be re-elected a Director of the Company."
(c) "THAT the retiring Director Mrs. Kathleen A. J. Moss be re-elected a Director of the Company."

- (ii) Pursuant to Article 95 of the Articles of Incorporation Messrs. Christopher N. Barnes and Paul R. Hanworth

were appointed to the Board of Directors since the last Annual General Meeting, and will retire at this Annual General Meeting. Being eligible they offer themselves for election.

To consider and (if thought fit) pass the following Resolutions: -

(d) "That the retiring Director Mr. Christopher N. Barnes be elected a Director of the Company."

(e) "That the retiring Director Mr. Paul R. Hanworth be elected a Director of the Company."

4. To confirm the remuneration of the Non-Executive Directors.

To consider and (if thought fit) pass the following Resolution:

"THAT the amount of \$10,917,000 shown in the Accounts for the year ended 31 December 2012 for Non-Executive Directors' fees be and is hereby approved."

5. To fix the remuneration of the Auditors or to determine the manner in which such remuneration is to be fixed.

To consider and (if thought fit) pass the following Resolution:

"THAT the remuneration of the Auditors, PricewaterhouseCoopers, who have signified their willingness to continue in office, be fixed by the Directors."

6. Special Business – Amendment to Articles of Incorporation

To consider, and if thought fit, pass with or without modification(s) the following resolution as Special Resolution
RESOLVED THAT pursuant to Section 10 and other applicable provisions, if any, of the Companies Act, the Articles of Incorporation of Pan-Jamaican Investment Trust Limited be and are amended as follows:

- (1) By including the following definitions in Article 2:

Words	Meaning
Electronic	Relating to technology, having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic or similar capabilities including, but not limited to, technology utilized by computer, scanning devices and or devices of every description used for the transmission of audio-only material, still or moving visual-only and/or audiovisual material, data and/or textual material .
Electronic Format	Any communication technology, medium or device in which audio-only material, still or moving visual-only and/or audiovisual material, data and/or textual material or other data are embodied so as to be capable (with or without the aid of some other device or equipment) of being reproduced therefrom.
Electronic Means	Any method of dispatch or communication of audio-only material, still or moving visual-only and/or audi visual material, data and/or textual material or other data which involves the use of communications technology or equipment having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic or similar capabilities.
Electronic Signature	So much of anything in Electronic form incorporated into, contained in, attached to or logically associated with a document, which uniquely identifies and authenticates the maker, is used by him to indicate his adoption of the content of that document and is produced or transmitted by Electronic means. For the avoidance of doubt, for the purpose of these Articles, an Electronic Signature includes but is not limited to any signature produced by facsimile machine or scanning device.
In Writing	Shall include printed, lithographed, typewritten and visibly represented or reproduced by any other mode.

(2) By deleting the existing Article 78 in its entirety and inserting the following in its place as the new Article 78:

“(i) A resolution in writing, signed by all the Directors for the time being entitled to receive notice of a meeting including any alternate Director if entitled, shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. Any such resolution may consist of several documents in like form each signed by one or more of such Directors, but a resolution signed by an alternate Director need not also be signed by his appointer, and if it is signed by a Director who has appointed an alternate Director it need not be signed by the alternate Director in that capacity.

(ii) For the purpose of Article 78(1) the word “signed” shall be construed to include an Electronic Signature”.

(3) By deleting the existing Article 129 in its entirety and inserting the following in its place as the new Article 129:

(i) Notices may be served on the Company by leaving the same at or sending the same to a registered office of the Company. Any notice to be given or a document required to be sent by the Company to any member may be:

(a) sent to him personally in Writing or Electronic Format;

(b) sent by post to him or to the address appearing in the Register of Members of the Company or such other address supplied by him to the Company for the giving of notice to him In Writing or Electronic Format; or

(c) sent to him by Electronic Means

PROVIDED HOWEVER that where such notice or document is specifically required by law or these Articles to be sent In Writing the company will obtain the member’s written consent prior to sending it to him in Electronic Format or by Electronic Means.

(2) Where a notice or document is sent by post, service of the notice or document shall be deemed to be effected by properly addressing, prepaying, and posting the notice or document and to have been effected, in the case of a notice of a meeting, at the expiration of Forty-Eight (48) hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of post.

(3) Where a notice or document is sent by Electronic Means, service of the notice or document shall be deemed to be effected by properly dispatching the notice or document to the email address or facsimile number provided by the member, and is deemed to have been received

by the intended recipient at the expiration of twenty-four (24) hours after the notice or document is so dispatched by the Company.

(4) Any notice or document sent by post to, or left at the registered address of, any member, or sent by Electronic means to any member in pursuance of these Articles, shall, notwithstanding such member be then deceased or bankrupt and whether or not the Company have notice of his decease or bankruptcy, be deemed to have been duly served in respect of any shares, whether such be held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint holder thereof. And such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested”.

By order of the Board



Gene M. Douglas
Secretary
Kingston, Jamaica
27 March 2013

A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint one or more proxies to attend and on a poll to vote instead of him. Such proxy must be lodged at the Company’s Registered Office not less than forty-eight hours before the meeting. A proxy need not be a member. A suitable form of proxy is enclosed.



Report of the Directors

The Directors herewith submit their Report and the Audited Financial Statements for the year ended December 31, 2012.

	\$'000
The Group profit before taxation was	2,230,458
Taxation amounted to	(123,119)
Making group profit after taxation	2,107,339
The share of non-controlling Interests in the results of subsidiaries was	(25,788)
Making the profit attributable to stockholders	2,081,551
To be added to retained earnings brought forward from last year	6,503,785
Making a total of	8,585,336
Dividends paid	(436,869)
and there were adjustments to retained earnings in respect of transfer to property revaluation reserves	(156,620)
Leaving retained earnings to be carried forward to the next year of	7,991,847

Dividends

The Directors have recommended that the interim dividends paid to stockholders on 30 March 2012, 22 June 2012, 21 September 2012 and 20 December 2012 be declared as final dividend for the year ended 31 December 2012.

Directors

The Directors retiring by rotation pursuant to Article 89 of the Articles of Incorporation are Messrs. Donovan H. Perkins, Richard O. Byles and Mrs. Kathleen A. J. Moss who being eligible offer themselves for re-election. Pursuant to Article 95 of the Articles of Incorporation, Messrs. Christopher N. Barnes and Paul R. Hanworth who were appointed since the last Annual General Meeting will retire at this Annual General Meeting and being eligible offer themselves for election.

At the end of December 2012, the Board of Directors comprised:

Hon. Maurice W. Facey, O.J., JP.
- *Chairman*

Stephen B. Facey, M. Arch
- *President & Chief Executive Officer*

Christopher N. Barnes BSc. MBA

Paul A. B. Facey, MBA.

Donovan H. Perkins, MBA.

Richard O. Byles, MSc.

Kathleen A. J. Moss BSc(Mgt.), MBA, CBV.

T. Matthew W. Pragnell, BA.

Ian S. C. Parsard, MBA (Hons.) ACCA.

Auditors

PricewaterhouseCoopers have expressed their willingness to continue in office in accordance with Sections 153 and 154 of the Companies Act.

On behalf of the Board



Gene M. Douglas
Secretary

Kingston, Jamaica
27 March 2013





STATEMENT FROM
The Chairman & The President



We are pleased to report that your company delivered net profits of \$2,082 million for 2012, compared to \$1,759 million in the previous year, an 18% increase representing a 14% return on opening equity. Basic earnings per stock unit were \$9.77 for 2012, compared to \$9.37 in 2011. In 2012 we paid our stockholders dividends of \$2.05 per stock unit, compared to \$1.54 in the prior year.

Our Strategy

Over the past year we have sharpened our focus on the strategy of investing in companies that are not only strong brands, but also earners of foreign exchange.

Although diverse in operations, the businesses in which we invest share a common element, that of talented management and staff who are some of the best people working anywhere today. Individually and collectively they understand what it takes to win in highly competitive markets. Sagicor Life Jamaica, Chukka Caribbean Adventures, and Caribe Hospitality are all examples of such businesses. In 2012 we acquired an additional 8% of Sagicor—increasing our stake to 32.8%, 20% of Chukka, and 35% of Caribe, the company developing the Marriott Courtyard hotel in New Kingston.

We believe an appropriate level of debt can help deliver superior returns to our shareholders. During 2012 we continued to take advantage of the low interest rate environment by increasing our borrowings, drawing down US\$12.5 million from our international lenders, the International Finance Corporation, and \$2.5 billion through the private placement of notes that were subscribed to by local investors.

Our Financial Strength

Your company remains strongly capitalized, with a debt to equity ratio of 26% and a portfolio of cash and securities of \$2.8 billion. Stockholders' equity at the end of 2012 totalled \$16.4 billion, equivalent to \$77.05 per stock unit.

Our People

With our commitment to making each year the best ever for your company, our entire team is relentlessly focussed on high impact performance by investing in the right businesses in the right markets. We recognize the value of sustainable growth, and are willing to forego immediate, short-term returns if we are confident that, over the medium to the long term, we will be able to create exceptional value for our stockholders.

The company's management and staff are accountable for executing the company's strategy with creativity and commitment. Through their efforts, we remain confident that we have the capabilities to produce the best outcomes in all that we do.

We have the benefit of a strong and experienced Board of Directors, with a presence that is felt throughout the company. We welcomed our newest member, Mr Christopher Barnes, in December 2012. He joins our external directors who bring excellence in business thinking and experience, delivering the type of corporate leadership that has been a hallmark of Pan-Jam for nearly five decades.

Our Communities


Another hallmark of the company is our dedication to investing in our communities through the C.B. Facey Foundation. Building hope and real opportunity serve to create the future now. In our support for education, the environment and the arts, we believe in powering potential and creativity, the elements that move us as individuals and as a nation. From the youngsters in classrooms in the four schools we support, to tertiary scholarship beneficiaries at Edna Manley College of Visual and Performing Arts and The University of Technology's School of Architecture, we will continue to deliver on the promise to give a leg up to those who need it most.

Our Economy

Making an investment in a company like ours is all about placing trust in the future. Even as we buttress the company against the vicissitudes of the national and global economies, we are supremely alert to the importance of a long-term investment horizon. This has always been a part of our DNA; it is what drives us to invest in the types of business and at the levels we do.

It would be remiss not to comment on Jamaica's continued economic troubles. For fifty years we have built this company in the firm belief that we can contribute to the development of a nation in which all citizens can prosper. Jamaica now stands at a crossroads; on the verge of an agreement with the International Monetary Fund and in a position to execute meaningful change to its fiscal structure, including the role, cost and efficiency of the public sector, and comprehensive tax reform. These together with the recent debt exchange, are the first steps towards reducing the national debt burden and creating a platform for real economic growth.

The Government and the Private Sector must now work together to create and execute a national growth agenda. Now is the time for bold, decisive action and teamwork, coupled with discipline and determination. We at Pan-Jam stand ready to play our part.




Maurice W. Facey
Chairman




Stephen B. Facey
President & Chief Executive Officer

NB. Subsequent to the preparation of the Chairman's statement, The Hon. Maurice W. Facey passed away on 2 April 2013.





The objective of the management discussion and analysis is to provide stockholders with information to assist with evaluating the performance of the group. The management of Pan-Jamaican Investment Trust Limited is responsible for the integrity of the information in this report. The information in this report conforms to and should be used in conjunction with the audited financial statements.



MID & A

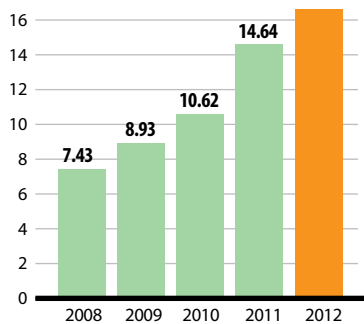
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Earnings per stock unit (J\$)

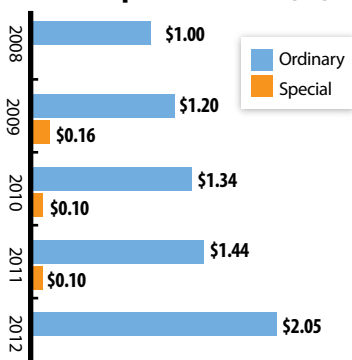


Stockholders' equity

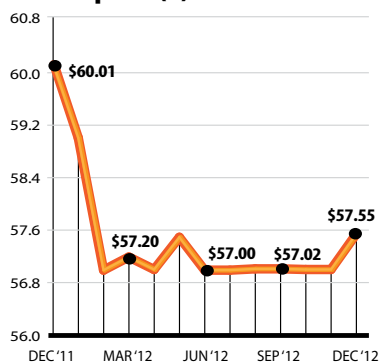
(J\$ Billions)



Dividend per stock unit (J\$)



Stock price (\$)



Company Overview

Pan-Jamaican Investment Trust Limited (Pan-Jam) is an investment holding company listed on the Jamaica Stock Exchange. Through its subsidiaries it provides property management services in Jamaica, including rental, management and development of commercial real estate properties, and captive insurance. It also engages in investments for its own account both through actively-managed positions in Caribbean, principally Jamaican, public and private companies and through securities trading, principally in equities and fixed income securities.

The company's portfolio of associated and joint venture companies engage in life and health insurance, pension fund administration and investment management, commercial and investment banking and asset management, consumer product processing and distribution (including coffee and various lines of sauces and condiments), retail and distribution of hardware, lumber and agricultural supplies, and tour and attractions operations.

In May, 2012 the company acquired a 20% shareholding in Chukka Caribbean Adventures Limited (CCA), a leading nature adventure excursion operator in the Caribbean, for a purchase consideration of US\$4 million, and subscribed for a 35% shareholding in Caribe Hospitality Jamaica Limited, the developer of a proposed Marriott Courtyard Hotel in New Kingston, for \$96 million.

In July, 2012 the company increased its investment in its associated company, Sagicor Life Jamaica Limited (SLJ), with the acquisition of approximately 300 million additional stock units for a purchase consideration of J\$3.1 billion. The acquisition was financed, in part, by the issue of secured notes totaling J\$2.5 billion and increased Pan-Jam's ownership of SLJ from 24.8% to 32.8%.

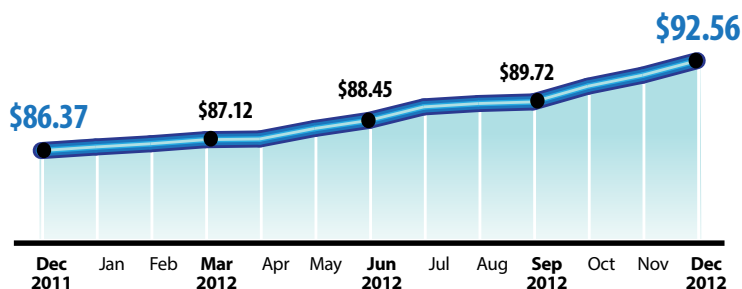
In December, 2012 the company drew down the second and final tranche of a US\$17.5 million loan from The International Finance Corporation (IFC). At the end of 2012 the group had cash and short term investments of J\$2.8 billion as well as significant additional borrowing capacity with which to pursue additional investment opportunities in 2013 and beyond.

The year 2012 was the first full financial year following the amalgamation of Pan-Jam with its subsidiary, First Jamaica Investments Limited (First-Jam). In the amalgamation, First-Jam shareholders were issued with ten (10) Pan-Jam stock units for every thirteen (13) First-Jam stock units held. The amalgamation has provided increased board and management focus on investments and strategy, as well as savings on administrative expenditures.

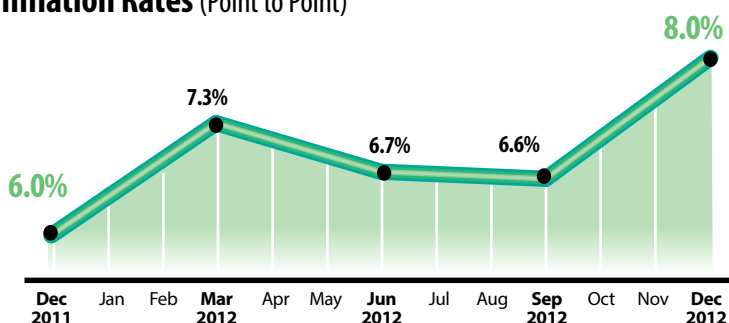
Financial Performance Highlights

- **Net profit attributable to equity holders of \$2.1 billion** (2011 - \$1.8 billion) an increase of 18%
- **Earnings per stock unit of \$9.77** (2011 - \$9.37), a 4% improvement
- **Dividend per stock unit of \$2.05** (2011 - \$1.54), 33% better
- **Book value per stock unit of \$77.05** (2011 - \$68.68), a 12% increase
- **Return on opening equity of 14.4%** (16.6%), a decrease of 13%
- **Total assets of \$21.4 billion** (2011 - \$15.9 billion), a 35% increase
- **Stockholders' equity of \$16.4 billion** (2011 - \$14.6 billion), a 12% improvement
- **Occupancy level of 95.5%** (2011 - 98.2%), a decrease of 3%
- **Closing bid stock price \$57.55** (2011 - \$60.01), a decrease of 4%
- **Increase in financial leverage to 25.7%** (2011 - 3.7%)

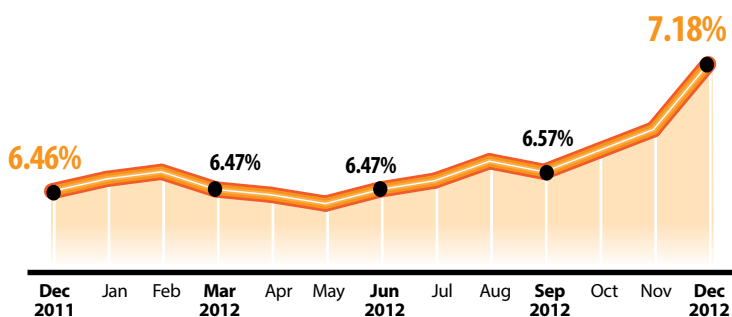
JA\$ vs US\$ exchange rate movement



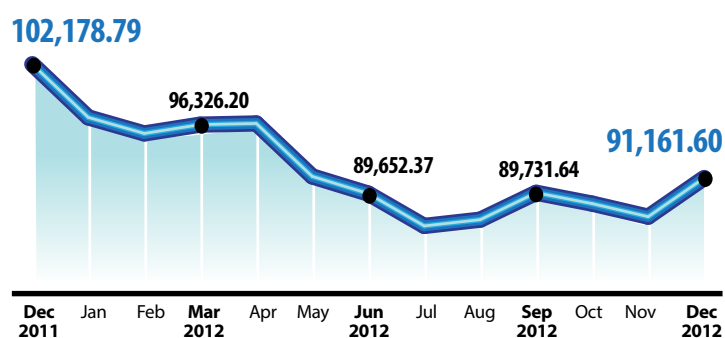
Inflation Rates (Point to Point)



180-day Treasury Bill Rates



JSE All Jamaican Composite Index



Economic overview

The Jamaican economy stagnated during 2012 as investors and business owners stayed on the sidelines pending the outcome of Government of Jamaica (GOJ) negotiations with the International Monetary Fund (IMF). The country's fiscal deficit continued to balloon and the net international reserves (NIR) declined amidst low export earnings and support to a depreciating Jamaican dollar. At December 2012 the NIR stood at US\$1,125.6 million, a decline of 43% compared to US\$1,967.01 million at end of December 2011.

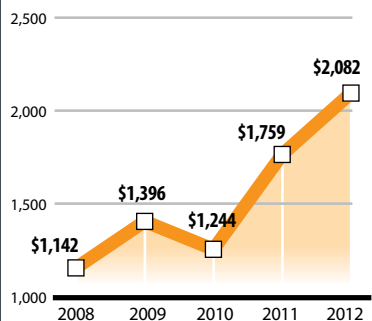
As the level of uncertainty heightened due principally to the GOJ's delay in securing an IMF deal, and with business and consumer confidence declining, the Jamaican dollar (J\$) gradually depreciated against the United States dollar (US\$). For the year 2012 the J\$ depreciated by 7.2%, principally in the latter part of the year, closing the year at J\$92.56 (2011 - \$86.37), a significant decline compared to the 2011 depreciation rate of 0.7%.

The point to point inflation rate also trended up, closing the year at 8% compared to 2011 when inflation rate trended downwards and closed at 6%. Amidst this, unemployment continued to climb with the rate increasing to 13.7% (2011 - 12.8%).

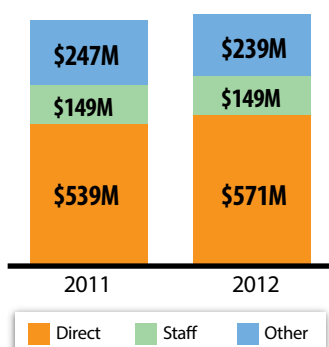
During 2012 Interest rates increased modestly. The 6-months Treasury Bill rate closed the year at 7.18% compared to 6.46% at the end of 2011, a year in which interest rates trended downwards. However, borrowing rates declined during the first nine (9) months of the year and began to inch up during the fourth quarter, closing at 18.4% (2011 - 18.0%) a marginal increase of 2%.

The Jamaica Stock Exchange indices (except for the Cross Listed Index) declined in 2012, as investor confidence weakened given the uncertainties in the Jamaican economy. The All Jamaican Composite index declined by 10.8% to close at 91,161.60 points (2011 - 102,178.79 points), Market Index closed at 92,101.22 points (2011 - 95,297.20 points) registering a 3.4% decline and the Combined Index closed at 93,504.00 points (2011 - 97,134.00 points) a decline of 3.7%.

Net Profit Attributable to Equity Holders (J\$ Millions)



Operating Expenses (J\$ Millions)



Profit attributable to equity holders of \$2,082 million for the year 2012 increased by 18% compared to 2011 - \$1,759 million.



Operating Results

Profit attributable to equity holders of \$2,082 million for the year 2012 increased by 18% compared to 2011 - \$1,759 million. The year 2012 reflects a full year of the amalgamation of Pan-Jam with its subsidiary, First Jam, compared to five months in 2011.

Total income of \$1,682 million was 4% less than prior year \$1,744 million due mainly to a 6% reduction in property income. Investment income increased marginally to \$252 million (2011 - \$249 million) whereas reinsurance commissions increased by 9% to \$43 million (2011 - \$39 million) and other income by 13% to \$97 million (2011 - \$86 million).

Operating expenses of \$959 million for the year were 2.6% higher than prior year (2011 - \$935 million). Administrative expenses (excluding direct property costs) of \$388 million were 2% less than 2011 (\$396 million). Efficiency ratio (administrative expenses to total income less direct property management costs) of 35% (2011 - 33%) was 6% higher due to a lower total income than in the prior year. Savings were effected as a result of the amalgamation in professional fees (\$10 million) and public relations and advertising of \$2 million and partly compensated for the increases in bad debt of \$9 million and depreciation of \$10 million. Depreciation charges were higher in 2012 than 2011 due mainly to a full year depreciation charge on capital expenditure in 2011, principally the new standby generator equipment for the New Kingston complex.

Share of results of associated and joint venture companies for the year of \$1,695 million increased by 22% compared to prior year (2011 - \$1,390 million) due mainly to the acquisition of an additional 8% shareholding of Sagikor Life Jamaica Limited (SLJ) in July 2012 as well as general increase in results of associated and joint venture companies.

Finance costs consisting of interest, foreign exchange losses and commitment fees on loans in 2012 of \$187 million were more than twice the prior year level of \$88 million. This significant increase was due principally to interest expense on the J\$2.5 billion loan acquired in July 2012 to part finance the purchase of the additional 8% SLJ shares.

Investment

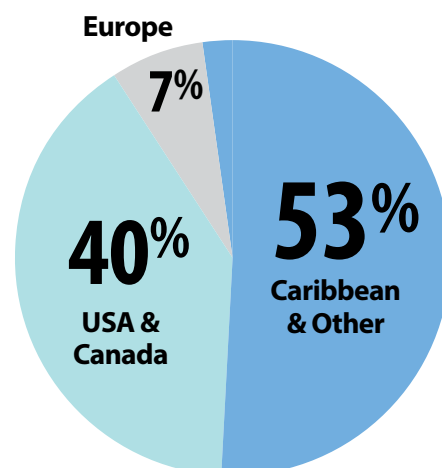
Investment income of \$252 million was marginally higher than 2011, \$249 million. Return on average investment assets was 9.5% for 2012, 8% greater than the prior year's 8.8%. Average investment assets for 2012 were \$2,663 million (2011 - \$2,818 million).

Interest income was 29% below 2011 due mainly to a reduction in our interest bearing investment assets. A portion of these assets, as well as some equities, were sold during the year to finance, in part, the acquisition of shares in associated companies. The return on average balance of interest bearing securities of \$1,950 million (2011 - \$1,997 million) was 6% (2011 - 8%), consequent on lower available yields year over year. Gain on sale of investment assets increased by 48% compared to the 2011 amount of \$42 million and partially compensated for significantly reduced trading gains. Trading gains were impacted by falling stock prices both on the local and overseas markets as well as a smaller trading portfolio. At year end 2012 trading assets totalled \$112 million compared to \$278 million at 2011 year end.

INVESTMENT INCOME

(\$'000)	2012	2011	Variance %
Interest	107,287	150,146	(29%)
Foreign exchange gains	52,035	11,335	30%
Dividends	39,658	33,553	18%
Trading gains	305	35,617	
Gains on sale of investment assets	61,679	41,773	48%
Gross investment income	260,964	272,424	(4%)
Impairment	(8,546)	(14,564)	--
Investment expense	(134)	(8,670)	--
Net investment income	252,284	249,190	1%
Average investment assets	2,663,435	2,818,357	(5%)
Return on average investment assets	9.5%	8.8%	8%

Investment assets



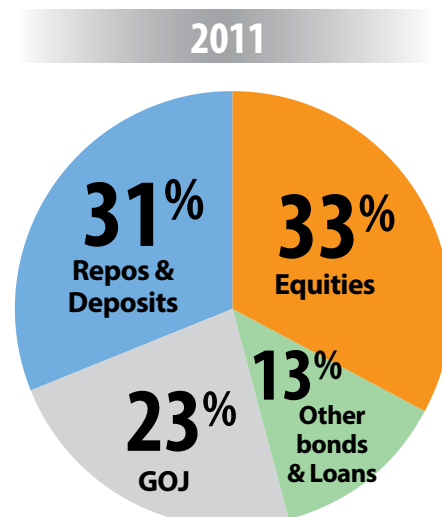
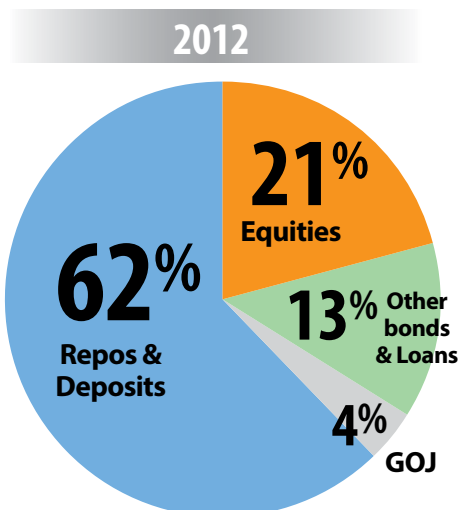
Dividend income was up by 18% due to a greater focus on investment in equities with higher dividend yields acquired during the second half of 2011.

The depreciation of the local currency against the US\$ by 7.2% (2011 – 0.9%) resulted in \$52 million (2011 - \$11 million) gains on investment securities denominated mainly in US\$.

Investment Assets

During 2012 the group realigned its investment portfolio and invested in securities and equities denominated mainly in US\$ in diverse sectors and countries with 52% in Latin America and the Caribbean. At 31 December 2012 investment assets totaled \$2,823 million (2011 - \$2,504 million), 13% greater than 2011 with 93%, (69%) invested in foreign currencies and 7%, (31%) in local currency. This was to ensure that financial liabilities denominated US\$ were adequately matched as well as to hedge against the depreciating J\$. Return on average interest bearing instruments was 6% (2011 – 8%) as interest rates were lower in 2012 than 2011. Our equity portfolio performed better than 2011, return on average equity investments was 6% (2011 – 4%). Return on average foreign exchange denominated assets increased by two (2) percentage points to 3% (2011 – 1%) on a portfolio larger than prior year.

At the end of 2012 securities purchased under agreements to resell and deposits accounted for 62% of total investment assets compared to 31% at the end of 2011. This was largely attributable to the temporary investment of the US\$12.5 million of IFC loan proceeds received in December 2012 in short term deposits, pending their deployment into longer term investments. Holdings in GOJ instruments were significantly reduced by year end to 4% (2011 – 23%) and equities to 21% (2011 – 33%) as some of these securities were sold to fund, in part, additional investments in associated and joint venture companies. The company's philosophy is to focus on investment in significant equity positions in companies with solid and sound management with growth potential.





Property Income (J\$ Millions)



Property

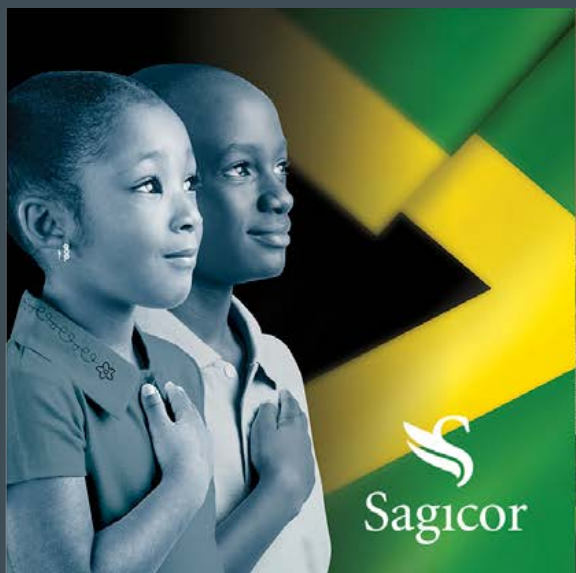
Property income, consisting of rental income and fair value gains on property valuation, reduced by 6% to \$1,289 million (2011 - \$1,370 million) as a more conservative view of economic activity and rental rates reduced recorded property revaluation gains to \$153 million (2011 - \$300 million). Gross rental income increased by 6% to \$1,136 million (2011 - \$1,070) reflecting general increases in rental rates, even as occupancy levels declined marginally to 96% (2011 - 98%).

Direct property expenses of \$571 million (2011 - \$539 million) increased by 6% driven mainly by raising electricity costs. During 2012 the electricity cost per kilo watt hour (kwh) increased steadily and at year end was \$31.40 per kwh (2011 - \$28.92 per kwh).

At 31 December 2012 carrying value of investment properties was up by 4% to \$4,367 million (2011 - \$4,201 million) with a return on average property value (gross rental income net of direct property expenses divided by average property value) of 17% (2011 - 21%) a four (4) percentage point reduction due mainly to lower revaluation gains.

QUARTERLY RESULTS

	2012				2011			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total income (\$m)	393	446	401	442	415	444	427	458
Operating expenses (\$m)	217	222	230	291	208	241	218	268
Share of results of associated and joint venture companies (\$m)	373	305	428	589	333	319	326	412
Net profit attributable to owners of the parent (\$m)	507	469	519	586	479	453	487	547
Earnings per stock unit (\$)	2.36	2.19	2.44	2.78	2.28	2.14	2.43	2.52
Dividends paid (\$m)	106.6	106.6	106.6	117.3	55.5	55.5	85.3	106.6
Return on opening equity, annualized (%)	13.9	12.8	14.2	14.2	18.0	17.1	18.0	16.6
Total assets (\$m)	16,337	16,913	19,806	21,432	15,477	16,081	15,177	15,923
Stockholders' equity (\$m)	15,176	15,407	15,930	16,420	10,945	11,408	13,938	14,636
Closing stock bid price (\$)	57.20	57.20	57.02	57.55	48.00	52.01	60.00	60.01



Associated and Joint Venture Companies

During the year the company invested a total of \$3,513 million in associated and joint venture companies and at the end of 2012 carrying value was up to \$13,122 million (2011 - \$8,283 million). Contribution to net profit for 2012 was \$1,695 million (2011 - \$1,390 million) while dividends received were \$615 million (2011 - \$606 million) representing 37% (2011 - 44%) of their contribution to net profit.

SLJ's net profit attributable to shareholders was \$5,791 million, an increase of 5% over the prior year, representing a 19% return on average equity. SLJ's strong results were driven by strong insurance and annuities new business; improved conservation of business in-force; favourable benefits experience; and careful expense management. These positive factors offset a new asset tax regime implemented in 2012 and the effects of the National Debt Exchange consummated in 2013.

H&L reported a profit of \$27 million compared to \$6 million a year ago. Revenue improved by 4% versus last year despite difficult trading conditions, and careful margin management, the elimination of controllable costs such as demurrage, and a \$67 million, 14%, reduction in overheads enabled the company to post

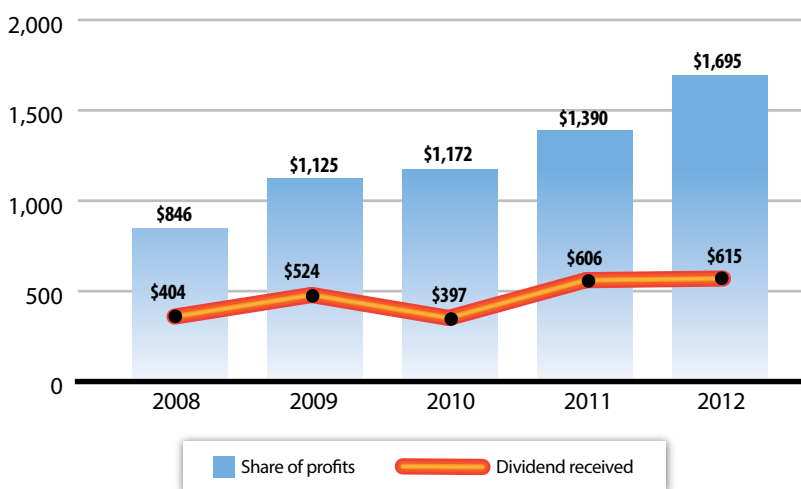
\$100 million of pre-tax profit in 2012, a ten-fold increase compared to the 2011 level of \$10 million. Much of this improvement was absorbed by an increase in a non-cash, deferred tax, charge consequent on the reduction to 25% in the corporate income tax rate, resulting in a relatively modest profit outturn.

Of our two newest associated companies, Chukka Caribbean Adventures Limited reported modest profits for the period of ownership, which excluded the busy winter tourist season. Caribe Hospitality Jamaica Limited recorded a small loss as it gathered all approvals to construct the much anticipated Marriott

Courtyard in New Kingston. Construction is expected to commence in early 2013 with occupancy targeted towards the end of 2014.

New Castle Company Limited's net profit was \$31 million (2011 - \$47 million), a 34% reduction as the company's sales slowed in the first quarter of 2012, a trend not expected to recur. Joint Venture company, Mavis Bank Coffee Factory (Mavis Bank), contributed \$37 million (2011 - \$18, million) to net profit, an increase of a little over 100%. During 2012 New Castle began the distribution of Jablum Coffee, Mavis Bank's premier brand of roasted coffee.

Share of Results & Dividends from Associates (J\$ Millions)





Financial Position

Total assets increased by 35% to \$21,432 million (2011 - \$15,923 million) at the end of 2012, due mainly to additional investments in associated and joint venture companies whose carrying value totaled \$13,122 million compared to \$8,283 million at 31 December 2011.

Stockholders' equity at year end was \$16,420 million, an increase of 12% compared to \$14,636 million at 31 December 2011. This was due mainly to 23% growth in retained earnings to \$7,992 million (2011 \$6,504 million). Total dividends paid out to shareholders amounted to \$437 million or \$2.05 per stock unit compared to \$300 million or \$1.54 per stock unit in 2011, an increase of 46%. Dividend payout ratio for 2012 was 21% (2011 - 16%) of net profit attributable to equity holders. As a percentage of cash profit (net profit plus dividends received from associated companies less results of associated and joint venture companies and property revaluation gains), the dividend payout was 42% (2011 - 29%). Market capitalization at year end was \$12,271 million, a 4% decline compared to \$12,796 million at 2011 as the share price fell to \$57.55 (2011 - \$60.01). Book value per share at 31 December 2012 was \$77.05 compared to \$68.68 at 31 December 2011, a 12% increase.

Loan Liabilities

During the year the company borrowed an additional \$3,709 million resulting in a year end 2012 debt level of \$4,213 million (2011 - \$532 million), an increase in financial leverage to 26% (2011 - 4%). Of this amount, \$2,500 million represents a private placement of commercial notes to part fund the purchase of the additional shareholding in SLJ, and \$1,151 million (US\$12.5 million) represents the second and final drawdown on the IFC loan facility. The commercial notes were issued in three (3) tranches, with two (2) having fixed interest rates of 9.25% and 9.75% per annum and one (1) being a variable rate note at 2.25% above the weighted average yield on the six (6) month Government of Jamaica Treasury Bill rate. At 31 December 2012 the interest rate on the variable rate note was 8.75% per annum.

COMMERCIAL NOTES

Amount (\$'000)	Interest Rate	Maturity Date
600,000	9.25% (fixed)	July 2014
750,000	9.75% (fixed)	July 2015
1,150,000	8.75% (variable)	July 2017

The IFC loan received in December 2012 is denominated in US\$ and has a fixed interest rate of 4.36% per annum. Repayment on this loan is in thirteen semi-annual installments beginning July 2013.

Risk Management

The group is exposed to a variety of risks, both internal and external. Effective management of these risks is necessary to ensure the continued success of the group. While the company's Board of Directors has the overall responsibility for risk management, this responsibility is also shared by the executive and management team, and internal policies and procedures are designed to mitigate the possibility of loss from certain operational risks.

Appropriate Insurance coverage is one way of mitigating the risk of loss from disruption to business activities, as a result of natural disasters, accidents or equipment/system failure. Annual reviews are carried out, by members of

the executive and management team, to assess the adequacy of coverage and adjustments are made where necessary to ensure any exposure is kept at an acceptable level. The company has in place a disaster recovery plan as well as twenty-four hours on site trained personnel who serve as the first primary response to any accidents to or in our buildings. Regular exercises are undertaken to sensitise tenants to our health and safety management policies.

Understanding and quickly reacting to external risks, such as economic conditions or changes in the environment is imperative to ensure the financial health of the organisation is maintained. An important part of the assessment process is the review of the total asset mix, and the impact of changes in the economy on the returns from these assets. As a result of this assessment, over the past few years the company has begun implementing a strategy to increase private equity investments and reduce its reliance on a portfolio of marketable securities. This strategy is designed to ensure a diversified income stream and to support long term growth.

The group is exposed to financial risks, from its securities portfolio, namely market risk, credit risk and liquidity risk. The group is also exposed to credit risk from its property rental segment.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates, political risk and economic risk. To mitigate these risks, under the direction of the Investment Committee, the treasury team ensures that there is a diversified mix of assets in the portfolio, with at least 70% of the portfolio held in foreign currency. Where possible, the team will also endeavor to maintain a mix of variable and fixed rate interest bearing instruments.

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 treasury team reviews research and credit information on companies and governments before deciding to invest in their debt securities and will choose sound financial institutions through which to make these investments, to reduce the exposure to credit risk. The group manages its credit risk from the rental business by screening its customers, establishing credit limits, obtaining bankers' guarantees or collateral for loans where applicable, and the rigorous follow-up of receivables.

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. Through a system of regular cash forecasting, the treasury team is kept aware of financial obligations and maintains the maturity profile of investments to ensure adequate liquid assets are available, as required.



“The group is exposed to a variety of risks, both internal and external. Effective management of these risks is necessary to ensure the continued success of the group.”



© Peter Ferguson



MEMORIES

of OUR CHAIRMAN

A highly respected pioneer in real estate development, it was Maurice Facey's entrepreneurial vision as Chairman of foundation subsidiary, Jamaica Property Company Limited (JPCo) that led to the construction of many of the island's modern-day landmark commercial and residential buildings in Downtown Kingston, New Kingston, Cross Roads and Manor Park. Mr. Facey assumed the Chairmanship of Pan-Jamaican Investment Trust Limited (Pan-Jam) in 1968 following the merger of JPCo and Pan-Jam and firmly guided the Group in that capacity until his passing.

1968 - Maurice W. Facey, newly appointed Chairman of Pan-Jamaican Investment Trust Limited



“
With the benefit of Maurice Facey's business acumen and leadership, Pan-Jam became a catalyst for growth and a significant contributor to diverse important sectors of the Jamaican economy.
”

With the benefit of Mr. Facey's business acumen and leadership, Pan-Jam became a catalyst for growth and a significant contributor to diverse important sectors of the Jamaican economy including: Property Development and Management, Insurance, Banking, Manufacturing, Tourism, Agriculture and Trading with many of the companies established by Pan-Jamaican becoming leaders in their respective sectors. Among the highlights of his long and distinguished career was Pan-Jam's acquisition in 1969 of Hardware and Lumber Limited in the island's first hostile take-over bid. He was deeply involved in the development of investment banking in Jamaica with the establishment and growth of Pan Caribbean Merchant Bank, now Sagicor Investments Jamaica Limited, where he served as founding Chairman from 1983 to 2005.

Maurice Facey served on numerous boards over the decades including the Bank of Nova Scotia Jamaica Limited, the Gleaner Company Limited, Jamaica Sugar Holdings Limited, the Agricultural Development Corporation, the Jamaica Tourist Board and the Institute of Jamaica. He was a founding director and past Vice President of the Private Sector Organization of Jamaica. He headed the Funding Committee of the newly established Citizens Action for Free and Fair Elections (CAFFE). He also served as a Council Member of the University of the West Indies, the Caribbean School of Architecture, University of Technology and the Anglican Diocesan Financial Board.

At the time of his death, Mr. Facey was Chairman of the Kingston Restoration Company Limited, a private/public sector entity which he was instrumental in

establishing, and was deeply immersed in his life-long efforts to secure the restoration of the Downtown district of the city of Kingston. His commitment to advancing Jamaica's tourist industry was demonstrated by his efforts over many years to position the island's heritage sites to make a much stronger contribution to our tourism product.

In recent years, he served as Chairman of the Government's Tourism Advisory Council and was a Jamaican Director of the Nature Conservancy, an international non-profit, non-governmental organization working to protect and restore wildlife in some thirty countries.

Mr. Facey was born on August 12, 1925 in Kingston. An avid sportsman, he was a past student of Jamaica College and served in the Royal Air Force from 1942 to 1946. Deeply patriotic, he sought, with great determination, various means by which he could contribute to the social and economic development of his country. He was involved in a variety of programmes for the relief of the less fortunate, a number of these carried out through the Cecil Boswell Facey Foundation named for his father with whom he shared genuine philanthropic genes.

At the time of his death, Mr. Facey was Chairman of both the Basic School and the All-Age School at Boys' Town. He took a personal interest in scholarships awarded annually to tertiary level students at the Caribbean School of Architecture, University of Technology and the Edna Manley School for the Visual and Performing Arts.

A strong patron of the Arts, Mr. Facey was the founding Chairman of the National Gallery of Jamaica. He served in that capacity from 1974 to 1992 and the extensive corporate art collection at Pan-Jam is testimony to the



support given to local and regional artists over many years.

Maurice William Facey was conferred with the Order of Jamaica in 1988 for distinguished services in the fields of Finance, Tourism and Agriculture. The University of Technology conferred on him the Honorary Doctor of Laws in 2009. He has also been honoured by a number of other entities including the Institute of Jamaica, the Private Sector Organization of Jamaica and his alma mater, Jamaica College for his contribution to his country. The Pan-Jamaican Group of Companies extends its sincere condolences to his widow Valerie; son, Stephen; daughter Laura; sisters Phyllis and Dorothy and the rest of his family, as well as his numerous friends and business associates.

May his soul rest in peace and light perpetual shine upon him.



Photos courtesy of The Gleaner Company

1. 1968 - Announcement by Pan-Jam of the construction of the Imperial Life Building (now the Sagacor Bank Building), New Kingston. Left to Right: Messrs. Robert Lake and Cecil B. Facey (Pan-Jam Directors), Maurice Facey (Chairman), Alty Sasso, Branch Manager, Imperial Life Assurance Company of Canada; Vayden McMorris, architect and C. Charles Adams, Pan-Jam Director.

2. 1966 - Maurice Facey (seated left) and Robert Lake with other Directors of the Manor Park Development Company examine plans for major residential and commercial projects in Manor Park, Upper St. Andrew. Standing Left to Right: Messrs. Frank Hall and Derick Franklin, Dr. Ralph Thompson, Messrs. Brian Richardson and Hugh Hart.

3. 1987 - The Pan-Jam Chairman places subsidiary Hardware and Lumber Limited (H&L) on the Jamaica Stock Exchange listing following a successful share offer. Others Left-Right: Mr. Owen Moss-Solomon, Managing Director, H&L; Mrs. Joyce Woodham, General

Manager of the Stock Exchange and Ms. Rita Humphries, Director, Barita Investments Limited.

4. 1990 - Director, Mr. Charles Adams presents a silver salver to the Chairman, the Hon. Maurice Facey in recognition of his contribution to the development and success of Pan-Jam at the Gala Awards Banquet in celebration of the company's 25th Anniversary.

5. 1985 - Chairman of the Cecil Boswell Facey Foundation, Mr. Maurice Facey speaks at the opening of two classrooms for children with learning disabilities, built by the Foundation at the Franklin Town Primary School, Kingston as part of the Good Neighbour School Project of the Private Sector Organization of Jamaica (PSOJ). Others from left: Messrs. Ryan Peralto, Member of Parliament for the area, Roy Banarsee, Chairman of the PSOJ's Education Committee and Ross Murray, Consultant to the Minister of Education.

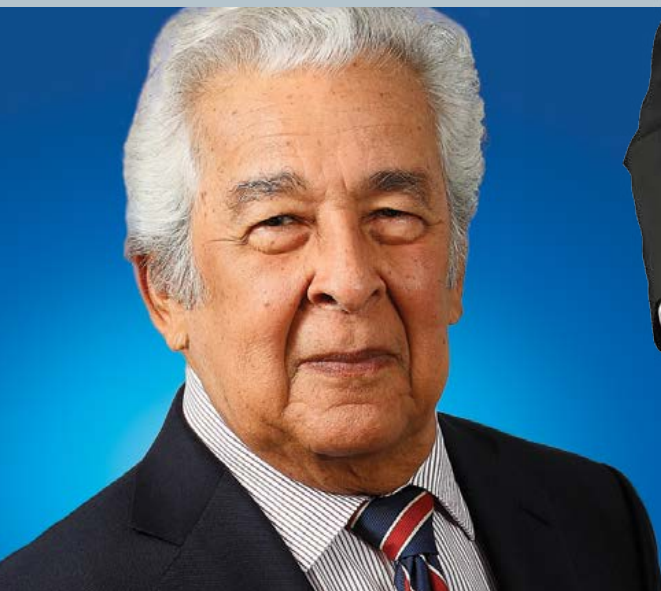
6. 2013 - The Chairman addresses one of his last meetings.



Board of Directors

Hon. Maurice W. Facey, O.J., J.P.

Hon. Maurice Facey has been Chairman of Pan-Jamaican Investment Trust Limited since 1968. A prominent and respected pioneer in real estate development, it was his entrepreneurial vision that led to the construction of the island's modern-day landmark structures. Today the Pan-Jamaican group continues to thrive under Mr. Facey's inspirational view of changing leadership. He has served on several boards over the years, and currently sits as chairman of Kingston Restoration Company.



Stephen B. Facey, M. Arch >>

President and Chief Executive Officer of Pan-Jamaican Investment Trust Limited and Chairman of Jamaica Property Company Limited (JPCO), one of Jamaica's leading property management companies. A graduate from Rice University and the University of Pennsylvania, Mr. Facey brings over 30 years' experience to the Board. He is a director of Sagikor Life Jamaica Ltd., Panacea Insurance Company Limited, Mavis Bank Coffee Factory Limited, Chukka Caribbean Adventures Limited, New Kingston Civic Association and Kingston Restoration Company Limited. An architect by training, he is also a Director of the Jamaica Developers Association and a member of the Jamaica Institute of Architects.



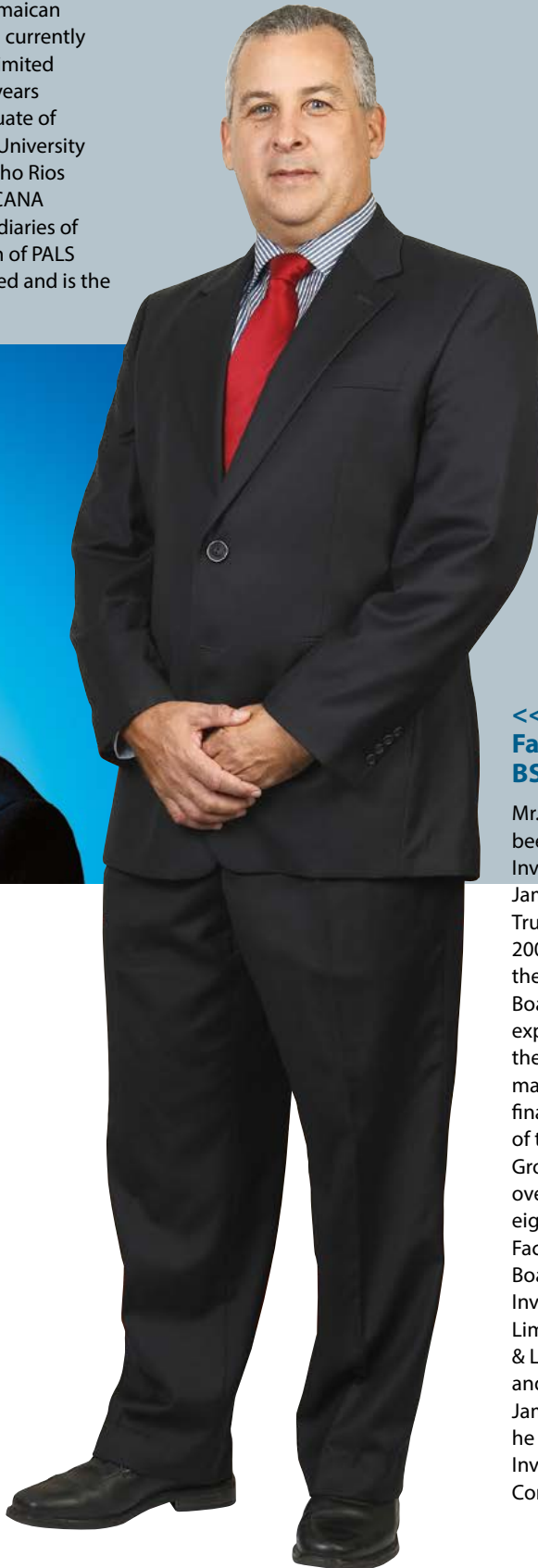
Christopher N. Barnes B.Sc, MBA

Mr. Christopher Barnes joined the Board of Pan-Jamaican Investment Trust Limited in December 2012. He is currently the Managing Director of The Gleaner Company Limited having joined them in 2007 after working for ten years with Alcan Inc (Now Rio Tinto Alcan). He is a graduate of Boston University in the United States and McGill University in Canada. Christopher serves on the boards of Ocho Rios Beach Limited, Jamaican National Life Insurance, CANA (Barbados) and CMC (Barbados) and various subsidiaries of the Gleaner Company Limited. He is the Chairman of PALS Jamaica Limited, Media Association Jamaica Limited and is the honorary Secretary of PSOJ Executive Committee.



<< Richard O. Byles, B.Sc., M.Sc.

Mr. Richard Byles is the President and Chief Executive Officer of Sagicor Life Jamaica Limited (SLJ). His experience and expertise spans across the financial industry to include Life, Health and General Insurance, Asset & Investment Management, Banking, Pension Administration and Re-Insurance Management. He is a member of the Executive Committee of Sagicor Financial Corporation, the parent company of SLJ. Richard is the Chairman of Desnoes & Geddes Limited, Sagicor Life of Cayman Island Limited, Sagicor Investments Jamaica Limited and a Director of Sagicor Bank Jamaica Limited. He is a Vice President of the Private Sector Organization of Jamaica



<< Paul A. B. Facey, M.B.A. BSc.

Mr. Paul Facey has been Vice President, Investments of Pan-Jamaican Investment Trust Limited, since 2004. He brings to the Pan-Jamaican Board his substantial experience in the trading, manufacturing and financial operations of the Pan-Jamaican Group of Companies over the last eighteen years. Mr. Facey sits on the Boards of Sagicor Investments Jamaica Limited, Hardware & Lumber Limited and Sagicor Life Jamaica Ltd where he is a member of the Investment and Audit Committees.

Board of Directors (continued)

Donovan H. Perkins, M.B.A. >>

Mr. Donovan Perkins is the President & Chief Executive Officer of Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services Limited) and has been a director of Sagicor Bank Jamaica Limited since 1993. He previously worked at Bank of America in its Corporate Banking Division in Florida prior to returning to Jamaica in 1993. Under his leadership, the company has grown through a series of mergers and acquisitions into a diversified financial services group. He is Chairman of the Jamaica Stock Exchange and a director of Jamaica Producers Group Limited. He previously served in the public sector as Deputy Chairman of the National Water Commission, and as a Director of both the Jamaica Social Investment Fund and National Insurance Fund. In the private sector, he has served as Vice President of both the Jamaica Bankers Association and the Private Sector Organization of Jamaica, and as a Director of the Jamaica Exporters Association.



T. Matthew W. Pragnell, B.A.

Mr. Pragnell joined the board of Pan-Jamaican Investment Trust Limited in 2009. He is the Chief Executive Officer of the CGM Gallagher Group, the largest insurance broker and risk management group in the English-speaking Caribbean with operations in Jamaica, Barbados, St. Lucia, St. Vincent and Grenada. Mr. Pragnell originally trained in insurance as a Lloyd's Broker in the City of London and also has experience in mergers and acquisitions. He is one of the founding directors of Panacea Insurance Company, the group's captive insurance vehicle domiciled in the St. Lucia. He is a past president of the Jamaica Insurance Brokers Association and also has experience in banking.



Corporate DATA

BOARD OF DIRECTORS

Hon. Maurice W. Facey, O.J., JP.
Chairman

Stephen B. Facey, M. Arch
President & Chief Executive Officer

Christopher N. Barnes BSc. MBA
Richard O. Byles, MSc.
Paul A. B. Facey, MBA.
Kathleen A. J. Moss, BSc.(Mgmt.), MBA, CBV
Ian S. C. Parsard, MBA (Hons.), ACCA
Donovan H. Perkins, MBA.
T. Matthew W. Pragnell, BA.

SENIOR MANAGEMENT

Stephen B. Facey, M. Arch.
President & Chief Executive Officer

Paul R. Hanworth, MA., ACA., CPA.
Chief Financial Officer

Paul A. B. Facey MBA.
Vice President – Investments

Camelia M. Nelson, FCA., FCCA. MBA
Director, Accounting Services

Claudette A. Ashman-Ivey, FCCA., CTP.
Group Investment Manager

SECRETARY

Gene M. Douglas, FCIS., MBA.

Kathleen A. J. Moss BSc,(Mgt.) MBA, CBV

Mrs. Moss is a Management Consultant and Chartered Business Valuator with Sierra Associates, an Independent advisory and business valuation firm that she established in 1993. She was appointed to the Board August 2010, and chairs the Audit and Governance Committees. Mrs. Moss serves on the Boards of Jamaica Producers Group, Assurance Brokers Jamaica Limited, JN General Insurance Company Limited where she is Deputy Chairman, Jamaica National Building Society and Kingston Wharves Limited. She is a trustee of the Violence Prevention Alliance and a member of the Finance Committee of the Archdiocese of Kingston. Mrs. Moss is a member of the Canadian Institute of Chartered Business Valuators and a graduate of the University of the West Indies and McGill University.

Ian S.C. Parsard, MBA (Hons.), ACCA

Mr. Ian Parsard is the Senior Vice President of Operations and Finance for the Jamaica Broilers Group Limited, one of the Caribbean's most successful vertically integrated agro-processing entities. With over 20 years of expertise in Finance and Information Technology, Mr. Parsard continues to exercise his prudent business acumen as a member of the Group's Executive Team in the development and execution of the company's strategic plan and was instrumental in the company's successful entry into the ethanol industry in 2007. He was appointed to the Board in August 2010 and currently serves as a Director on the Board of Jamaica Broilers Group Limited, the Mustard Seed Agricultural Program and as the President of the JBG Cooperative Credit Union. A past Jamaica Scholar (1985) and a Chartered Accountant, Mr Parsard also holds a MBA from the University of Pennsylvania's Wharton School of Business, graduating with highest honours as the Palmer Scholar.



REGISTERED OFFICE

60 Knutsford Boulevard
Kingston 5

Registrar:

Sagicor Bank Jamaica Limited
Corporate Trust Division

Bankers:

Sagicor Bank Jamaica Limited
CIBC First Caribbean International Bank Ltd.

Auditors:

PricewaterhouseCoopers

Attorneys-at-Law:

Patterson Mair Hamilton

GROUP STRUCTURE

INVESTMENT

Portfolio Partners Limited
60 Knutsford Boulevard
Kingston 5

CAPTIVE INSURANCE

Panacea Insurance Limited
20 Micoud Street
Castries, St Lucia

PROPERTY MANAGEMENT & RENTAL

Jamaica Property
Company Limited
60 Knutsford Boulevard
Kingston 5

Knutsford Holdings Limited
60 Knutsford Boulevard
Kingston 5

ASSOCIATED COMPANIES

Insurance, Pension Management & Banking

Sagicor Life
Jamaica Limited
28-48 Barbados Avenue
Kingston 5

Manufacturing & Distribution

New Castle
Company Limited
20 Micoud Street
Castries, St Lucia

Retail & Trading

Hardware &
Lumber Limited
697 Spanish Town Road
Kingston 11

Tourism:

Chukka Caribbean
(St. Lucia) Limited
1st Floor,
Bourban House
Bourban Street
Castries, St. Lucia

Hotel Property Development

Caribe Hospitality
(Jamaica) Limited
60 Knutsford Boulevard
Kingston 5

Joint Venture

Mavis Bank Coffee
Factory Ltd
60 Knutsford Boulevard
Kingston 5



Board Charter and Corporate Governance Guidelines

Board Mission

1) Mission Statement

The Pan-Jamaican Investment Trust (Pan-Jam) Board of Directors represents the owners' interest in maintaining and growing a successful business, including optimizing long-term financial returns and lowering cost of capital. The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.

The Board is responsible for determining that Pan-Jam is managed in such a way to ensure this result. This is an active, not a passive, responsibility. The Board has the responsibility to ensure that management is capably executing its responsibilities. The Board's responsibility is to regularly monitor the effectiveness of management policies and decisions including the execution of its strategies.

In addition to fulfilling its obligations for increased stockholder value and optimizing long term financial returns, the Board has a responsibility to ensure successful perpetuation of the business.

Board Functions

1) Areas of Responsibilities

The Board makes decisions and reviews and approves key policies and decisions of the Company in particular in relation to:

- Corporate governance;
- Compliance with laws, regulations and the Company's code of business conduct;
- Corporate citizenship, ethics, environment;
- Strategy and operating plans;

- Business development including major investments and disposals;
- Financing and treasury;
- Appointment or removal of Directors; Remuneration of Directors Risk management;
- Financial reporting and audit;
- Succession planning for its President & CEO and other Senior Executives

2) Specific Responsibilities for Chairman, Company Secretary and Directors

The Chairman is principally responsible for the effective operation and chairing of the Board and for ensuring that information that it receives is sufficient to make informed judgments. He also provides support to the President and Chief Executive Officer, particularly in relation to external affairs. He/she is also responsible for ensuring that new Directors receive appropriate training and induction into Pan-Jam.

The Company Secretary is responsible for ensuring that Board processes and procedures are appropriately followed and support effective decision-making and governance. He/she is appointed by, and can only be removed by the Board. All Directors have access to the Company Secretary's advice and services and there is also a formal procedure for Directors to obtain Independent professional advice in the course of their duties, if necessary, at the Company's expense.

Each Board member is expected to commit sufficient time for preparing and attending meetings of the Board, its Committees and, if applicable, of the Independent Directors. Regular attendance at Board meetings is a prerequisite therefore, unless explicitly agreed up front; a Director should not miss two consecutive regular Board meetings.

Because in-depth knowledge of the particulars of the Company's business is vital for each Director in making informed and objective decisions, management is to allow direct involvement and review of operational activities. Similarly, management also is to communicate to Board members opportunities to interact in strategy and day-to-day business settings. Board members are strongly encouraged to take advantage of such opportunities as frequently as feasible. The Directors have complete access to the Leadership of the Company via the President & CEO.

Selection and Composition of the Board

The Board is responsible for the overview of the interest of all stakeholders on the matters as outlined above. The composition of the Board should be such that these interests are best served and therefore the Directors require diversity in skills and characteristics.

1) Size of The Board

The Board will have 7 - 10 Directors of which at least 30% will be independent directors. Considering the size of the organization and the environment in which it operates, the Board believes such numbers are adequate.

2) Executive and Non-Executive Directors

At any time the number of Executive Directors should not exceed 50 % of the total number of Directors.

3) Conflicts of Interest/Disclosure

Any dealings in the Company's shares by any Director must be promptly reported to the Company Secretary

who is obliged to disclose such information on a regular basis to the Jamaica Stock Exchange.

No Director should trade in the Company's shares during the period of one (1) month before the release of the quarterly Financial Statements and in the case of the Audited Accounts, two (2) months prior to the release or at any time that the company has an embargo on trading. No trading should also occur between the time a dividend is considered and the time in which that information is provided to the Jamaica Stock Exchange.

A Director who has an interest in the Company or in any transactions with the Company, which could create or appear to create a conflict of interest, must disclose such interests to the Company. These would include:

- Any Interest in contracts or proposed contracts with the company
- General disclosure on interest in a firm or charity, which does business with the company
- Interest in securities held in the Company
- Emoluments other than board fees received from the Company
- Loans or Guarantees granted by the Company to/for the Director.

Disclosure shall be made at the first opportunity at a Board Meeting in writing and such disclosure shall be recorded in the Minutes of the Board Meeting.

The Director shall then excuse himself or herself from the Board meetings when the Board is deliberating over any such contract and shall not vote on any such issue. If a conflict exists and cannot be resolved, the Director should resign.

The Disclosure of Director's interest shall include interests of his or her family and affiliates.

4) Election, Terms, Re-election and Retirement

Election, terms, re-election and retirement of each Board member is conducted in line with the articles of association of the Company, articles 89 to 97, with the exception that each

Board member is to retire during the financial year, when the Director reaches the age of 70 years, unless a special resolution of exemption to this rule is passed by members in general meeting as recommended by the Board.

5) Board & Executive Compensation

The level of compensation of the Non-Executive Directors reflects the time commitment and responsibilities of the role. It consists of a package appropriate to attract, retain and motivate Non-Executive Directors of the quality required. The compensation is competitive and subject to regular review to what is paid in comparable situations elsewhere.

The Board will conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively.

6) Director Orientation and Education

The Board and Management will conduct a comprehensive orientation process for new Directors to become familiar with the Company's vision, strategic direction, core values, financial matters, corporate governance practices and other key policies and practices through a review of background material, meetings with senior management.

The Board also recognizes the importance of education for its Directors. It is the responsibility of the Board to advise the Non-Executive Directors about their education, including corporate governance issues. Directors are encouraged to participate in continuing Director Education programmes.

7) Access to Outside Advisors and Funds

The Company will make such funds available to the Board and in particular the Non-Executive Directors as is reasonably required for those Directors to objectively make decisions. This may include providing funds to access outside advisors and cover cost associated with travel and the gathering of relevant information for the execution of their responsibilities.

8) Succession Planning

The board will have full responsibility to ensure that the business is well managed at all times and that succession plans and potential candidates are identified for all senior executives including the President & Chief Executive Officer.

Should the President & CEO or the CFO demit office due to an emergency, the Board will convene at the earliest possible time or in any event not less than 48 hours after such an event, with a view to appointing an interim or permanent successor to such posts.

Code of Conduct

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to adhere to all codes and policies specifically including "The Code of Business Conduct" that describes the values of the Pan Jamaican Investment Trust group values namely:

- Respect and Dignity
- Trust
- Communication
- Teamwork
- Appreciation
- Accessibility
- Professionalism
- Good Value
- Strength
- Compassion and Social Consciousness
- Group Pride

The Board will not permit any waiver of any of these policies for any Director or Executive officer.

Board Committees

The Board has established several Committees, each with clearly defined terms of reference, procedures, responsibilities and powers.

1) Audit & Risk Committee

On behalf of the Board, the Audit and Risk Committee shall:

- Review the Company's annual and interim financial statements and related policies and assumptions and any accompanying reports or related policies and statements.

Board Charter and Corporate Governance Guidelines (cont)

- Monitor and review the effectiveness of the Company's internal audit function.
- Monitor and review the external auditor's independence, objectivity and effectiveness.
- Develop and implement policy on the engagement of the external auditor to supply non-audit services.
- Approve the company's risk management policy which defines the company's risk appetite and level of risk tolerance
- Monitor the adequacy and effectiveness of the Company's systems of risk management and control

The majority of members of the Audit and Risk Committee shall consist of Non-Executive Directors of the Company duly appointed by the Board. The Board shall also appoint the Chairman and Secretary of the Audit and Risk Committee. The Board Chairman shall not be a member of the Committee. The Committee shall consist of not less than three members.

The Audit and Risk Committee shall meet at least four (4) times a year, within forty-five (45) days of the end of each quarter and at such other times as any member of the Committee or the external auditors may request.

All financial statements and matters which are of significant import to the investing public shall be reviewed by the Audit and Risk Committee. The full Board will have responsibility and accountability for the final release of such information.

2) Investment Committee

The Investment Committee shall

- Review the company's investments, acquisitions and disposals
- Meet at least 4 times a year
- Comprise at least 6 members of the board with a mix of independent and non-independent directors

3) Human Resources and Compensation Committee

The compensation Committee shall

- Review of the performance of the Executive Directors and the senior executives of the Company on at least an annual basis
- Report its findings during a regular Board meeting annually.
- Comprise of a majority Non-Executives directors

4) Corporate Governance Committee

This Committee comprises of two Non-Executive Directors and one Executive Director. The Committee is responsible for keeping under review the composition of the Board and succession to it. It makes recommendations to the Board concerning appointments to the Board of Non-Executive Directors, having regard to the balance and structure of the Board and the required blend of skills and experience. The Committee has responsibility to:

- Nominate potential candidates and evaluates the suitability of those candidates for future Board membership;
- Propose suitable candidates to the Board for approval prior to approaching the candidate;
- Approach the future candidate and upon positive response, introduce the future board member to the Board.

The Board may call any Ad Hoc Committee, as it deems necessary. The Board will set out the rules under which such Committee governs at each occasion. All Committees including those explicitly mentioned above will be subject to the annual evaluation process, similar as applied to the Board itself.

Meetings

1) Frequency of Meetings

During each financial year, there will be a minimum of 4 regular Board meetings. Special Board meetings may occur at such other times as any member of the Board may request.

2) Selection of Agenda Items for Board Meetings

The Chairman and Company Secretary will establish the agenda for each Board meeting. Each Board member may suggest the inclusion of item(s) on the agenda.

Information important to the Board's understanding of the business will be distributed electronically and or in writing to the Board before the Board meetings. As a general rule, presentations on specific subjects should be sent to the Board members sufficient in advance to be adequately prepared at Board meetings and focus discussion on the Board's questions. On those occasions in which the subject matter is extremely sensitive, the presentation will be discussed at the meeting.

3) Additional attendees to the meeting

Furthermore, the Board encourages the Management to, where it assists the ability of the Board members to execute their responsibilities, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

**The corporate governance policy is available on our website: www.panjam.com*

Committees & Attendance

BOARD SUB COMMITTEES

NAMES	Investment Committee	Audit & Risk Committee	Corporate Governance	Human Resources & Compensation Committee
Maurice W. Facey	Chairman			
Kathleen A.J. Moss		Chairman	Chairman	
T. Matthew W. Pragnell	•	•		Chairman
Richard O. Byles			•	
Stephen B. Facey	•		•	•
Paul A.B. Facey	•			
Ian S. C. Parsard	•	•		
Donovan H. Perkins	•			•

BOARD ATTENDANCE REGISTER 2012

NAMES	Board Meeting	Audit Committee	Corporate Governance	Investment Committee	Human Resources and Compensation Committee	Annual General Meeting
Number of meetings held	6	5	2	3	3	1
Maurice W. Facey – Chairman	5:6			2:3		1:1
Stephen B. Facey – President & CEO	6:6		2:2	3:3	2:3	1:1
Christopher N. Barnes	1:1					–
Richard O. Byles	5:6		1:2			1:1
Paul A. B. Facey	5:6			3:3		1:1
Kathleen A.J. Moss	6:6	5:5	2:2			0:1
Ian S. C. Parsard	5:6	4:5		2:3		1:1
Donovan H. Perkins	5:6			3:3	1:3	1:1
T. Matthew W. Pragnell	5:6	4:5		3:3	3:3	1:1

Mr. Christopher Barnes was appointed on 18 December 2012



C.B. FACEY FOUNDATION



Mrs. Sonia Sykes, (Marketing Manager - Jamaica Property Company Limited) interacting with students at the Kingston Book Festival.

Investing in Jamaica's Future

Our mission is directed towards encouraging positive social change in our communities of impact through the areas of Early Childhood Education, the development of the Arts and the protection of the Environment.

The Pan-Jamaican Group, through the C.B. Facey Foundation challenged ourselves in 2012 to engage in community initiatives in a more holistic and hands-on approach to ensure project sustainability and maximal impact in our areas of focus.

Over the years, we have discovered that in order to ensure our human resources are being effectively utilized, persons need to be educated on how to take responsibility for achieving balance and well being in their lives. This perspective, along with the integration of education, the arts and the environment has aided our projects to enhance the social, emotional, spiritual and physical well being of others.

Our Valued Partners

The Group partnered with the Boys Town All-Age School and continued support of the Lalyce Gray Basic School in Cassava Piece, The Cecil Boswell Basic School in West Kingston and the Orange Hall and Union Basic Schools in the parish of St. Ann. Assistance was provided in staff costs, building refurbishing and school supplies.

The Foundation and our staff also partnered with CRAYONS COUNT, a project by Do Good Jamaica that not only raised awareness about the lack of resources in Basic Schools across Jamaica but also encouraged both local and international donations. Crayons Count, with our input, was able to provide 2700 Basic Schools across the island with learning tools that included puzzles, paint and crayons to name a few. This partnership allowed opportunities for the children to explore other communities around them and engage in interactive activities to stimulate learning.

At the tertiary level, the C.B. Facey Foundation continued providing funding for scholarships at the Edna Manley College of Visual and Performing Arts and The University of Technology's School of Architecture. Through partnerships with RISE Life Management, the Foundation continues to invest in the youth of Jamaica through prevention and intervention treatment of addictive disorders, life skills training, parenting programs and HEART/NTA accredited vocational training in some of Kingston's most volatile communities. Contributions to both the Boys Brigade and Scouts Association have also been made towards young leader development initiatives.

This year, the group invested in a UK charitable group called Debate Mate. A group of young debaters from across the globe visited our communities of impact to teach leadership, communication and conflict resolution skills to unattached youth through debate. The Foundation is committed to aiding the expansion of Debate Mate project for teachers and young people in crime-ridden communities across Jamaica as a community building initiative for youth.

Pan-Jamaican believes transformation in Jamaica happens when people starts investing in other people.



Artwork done by students of Lalyce Gray Basic School replicated on the walls of the school by Mrs. Laura Facey-Cooper (CB Facey Foundation Trustee), staff members and school volunteers.



Students from Lalyce Gray and Cecil Boswell Facey Basic Schools engaged in literacy exercises at the Kingston Book Festival held at Emancipation Park.



Crayons Count School visit for Read Across Jamaica Day of which students of each class were read to. From left Mrs. Black, (Principal - Cecil Boswell Facey Basic School), Ms. Brittany Singh (Admin. Officer - Pan-Jam), Ms. Kerri Richards, (Crayon Count), Ms. Deika Morrison, (Founder - Crayon Count), Ms. Danielle Crosskill (Miss Jamaica World 2011) and Dr. Elizabeth Ward (Trustee - CB. Facey Foundation).

Continued Investments in both the works of local artists and cultural heritage sites have consistently proved Pan-Jamaican to be one of the leaders in cultural sustainability. With over 260 pieces of artwork valued at approximately \$3.1mil. in our catalogue and continuous support to sustainability of The Blue Lagoon, The Ward Theatre and the National Heritage Trust to name a few.

As a group, we are committed to being an environmentally responsible organization that continuously invests in projects that enhance the sustainability of Jamaica for future generations. As such, this year we continued partnership with The Nature Conservancy. This

partnership has aided the facilitation of extensive programs to protect and restore healthy coastal marine ecosystems and communities that we are glad to say survived the powerful wrath of Hurricane Sandy. We have also continued a partnership with the Jamaica Environment Trust who have maintained their position as leaders in encouraging public policy in regards to the environment in Jamaica.

Pan-Jamaican maintained a strong influence within the New Kingston Civic Association (NKCA) who this year, partnered with the Social Development Commission (SDC) to solve the plight of the homeless persons in New Kingston.



A group of employees with their awards (left-right), Alwyn Myers, Cecil Williams, Donna Dowie, Morris Barnes and Joseph Hylton.

We are sold on the belief that a skilled and motivated workforce drives business success.

Our Staff

The Pan-Jamaican Group enjoys a stable employment and labour management relationship based on mutual trust and mutual respect. Together with our employees, we maintain, protect and preserve the values that guide our relationship with our business partners.

We recognize that stability and opportunities for self-realisation and growth, as well as the organisation's development, are interdependent. We support equal employment opportunities and strive to provide fair working conditions and to maintain a safe and healthy working environment for all our employees. We are sold on the belief that a skilled and motivated workforce drives business success. To this end, we continued to invest in our people's growth through strategically crafted in-house training programmes, in addition to on-going support of external learning and development opportunities.

We recognize and reward our team members for exceptional performance through various media including, but not limited to, our Annual Awards Ceremony, promotion, job enrichment and overall continuing development. These interventions have not only increased performance but have also motivated our people to fulfill their personal aspirations through rewarding experiences for the growth and development of the organization.

Our Clients

In an ever changing global world, technology is constantly changing. To ensure appropriate communication and appropriate service standards for our business relationship, Pan-Jam has partnered with an external company to evaluate its systems and technologies to implement systems that will not only enhance efficiency but also aid in creating a greener work environment for all associated companies and stakeholders.



PAN-JAMAICAN INVESTMENTS
2012 Financial Statements







Independent Auditors' Report

To the Members of
Pan-Jamaican Investment Trust Limited

Report on the Consolidated and Company Stand Alone Financial Statements

We have audited the accompanying consolidated financial statements of Pan-Jamaican Investment Trust Limited and its subsidiaries, set out on pages 40 to 135, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Pan-Jamaican Investment Trust Limited, standing alone, which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and company stand alone 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 about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 consolidated and company stand alone financial statements.

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

Opinion

In our opinion, the consolidated financial statements of Pan-Jamaican Investment Trust Limited and its subsidiaries, and the financial statements of Pan-Jamaican Investment Trust Limited standing alone, give a true and fair view of the financial position of Pan-Jamaican Investment Trust Limited and its subsidiaries and Pan-Jamaican Investment Trust Limited, standing alone as at 31 December 2012, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Pan-Jamaican Investment Trust Limited 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 consolidated and company stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

Chartered Accountants
1 March 2013
Kingston, Jamaica

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Consolidated Income Statement

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Income			
Investments	5	252,284	249,190
Property	6	1,289,099	1,369,813
Commissions		43,177	39,503
Other	7	97,243	85,686
		1,681,803	1,744,192
Operating expenses	8	(959,327)	(935,094)
Operating Profit		722,476	809,098
Finance costs	10	(186,706)	(87,738)
Share of results of joint venture		37,337	18,035
Share of results of associated companies		1,657,351	1,371,743
Profit before Taxation		2,230,458	2,111,138
Taxation	11	(123,119)	(135,578)
NET PROFIT		2,107,339	1,975,560
Attributable to:			
Owners of the parent		2,081,551	1,758,990
Non-controlling interests		25,788	216,570
		2,107,339	1,975,560
Earnings per stock unit attributable to owners of the parent during the year			
Basic and fully diluted	12	\$9.77	\$9.37

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	2012 \$'000	2011 \$'000
Net Profit for the year	<u>2,107,339</u>	<u>1,975,560</u>
Other Comprehensive Income		
Exchange differences on translating foreign operations	11,761	876
Unrealised gains on available-for-sale financial assets, net of taxation	8,123	31,881
Gains recycled to profit or loss on disposal and maturity of investment assets, net of taxation	(80,524)	(4,332)
Share of other comprehensive income of associated companies, net of taxation	<u>157,508</u>	<u>10,233</u>
Other Comprehensive Income for the year, net of taxation	<u>96,868</u>	<u>38,658</u>
TOTAL COMPREHENSIVE INCOME	<u><u>2,204,207</u></u>	<u><u>2,014,218</u></u>
Attributable to:		
Owners of the parent	2,178,567	1,768,038
Non-controlling interests	25,640	246,180
	<u><u>2,204,207</u></u>	<u><u>2,014,218</u></u>

Consolidated Statement of Financial Position

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
ASSETS			
Cash and Bank Balances	13	41,721	16,081
Investments			
Deposits	13	896,092	176,938
Investment securities:			
Financial assets at fair value through profit and loss	14	112,057	277,867
Available-for-sale	14	810,573	1,447,840
Loans and receivables	14	141,563	7,309
		1,064,193	1,733,016
Securities purchased under agreements to resell	15	862,757	593,873
Investment properties	16	4,366,940	4,201,355
Investment in joint venture	17	199,920	74,062
Investment in associated companies	17	12,922,232	8,209,062
		<u>20,312,134</u>	<u>14,988,306</u>
Other assets			
Taxation recoverable		68,681	64,789
Deferred tax assets	18	336	107
Prepayment and miscellaneous assets	19	613,271	469,301
Property, plant and equipment	20	354,695	356,386
Retirement benefit assets	21	41,593	28,152
		<u>1,078,576</u>	<u>918,735</u>
		<u><u>21,432,431</u></u>	<u><u>15,923,122</u></u>

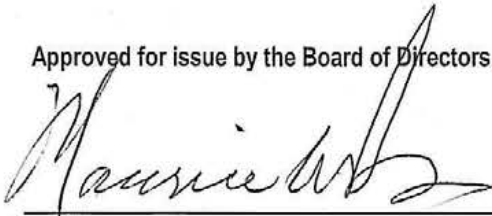
Consolidated Statement of Financial Position(Continued)

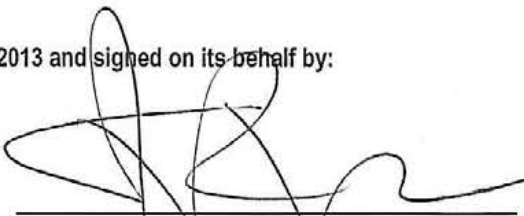
Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Capital and Reserves Attributable to Owners of the Parent			
Share capital	26	2,141,985	2,141,985
Property revaluation reserve	28	2,675,311	2,518,691
Investment and other reserves	29	3,621,237	3,481,077
Retained earnings		7,991,847	6,503,785
Treasury stock		(9,899)	(9,090)
		16,420,481	14,636,448
Non-controlling interests		230,259	206,968
		<u>16,650,740</u>	<u>14,843,416</u>
Liabilities			
Bank overdrafts	13	-	9,499
Taxation payable		119,536	43,666
Due to related parties	22	-	5,225
Loan liabilities	23	4,212,726	532,214
Finance lease liability	24	13,799	12,416
Deferred tax liabilities	18	99,143	164,833
Retirement benefit liabilities	21	92,466	81,107
Other liabilities	25	244,021	230,746
		4,781,691	1,079,706
		<u>21,432,431</u>	<u>15,923,122</u>

Approved for issue by the Board of Directors on 1 March 2013 and signed on its behalf by:


 Maurice W. Facey Director


 Stephen B. Facey Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

Note	Attributable to Owners of the Parent							Total \$'000
	Share Capital \$'000	Equity Com- pensation Reserve \$'000	Property Revaluation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Treasury Stock \$'000	Non- controlling Interests \$'000	
Balance at 1 January 2011	185,354	39,160	2,247,786	2,888,608	5,274,449	(18,486)	2,469,031	13,085,902
Comprehensive income								
Net profit	-	-	-	-	1,758,990	-	216,570	1,975,560
Other comprehensive income:	-	-	-	9,048	-	-	29,610	38,658
Total comprehensive income for the year	-	-	-	9,048	1,758,990	-	246,180	2,014,218
Transactions with owners								
Dividends paid to equity holders of the company	30	-	-	-	(300,209)	-	-	(300,209)
Dividends paid to non-controlling interest		-	-	-	-	-	(30,226)	(30,226)
Shares issued on acquisition of non-controlling interest	17	1,976,483	-	-	501,737	-	(2,478,220)	-
Cost associated with issue of shares		(19,852)	-	-	-	-	-	(19,852)
Disposal of treasury stock		-	-	-	81,684	-	9,396	91,080
Stock compensation expense	27	-	2,300	-	-	-	203	2,503
Transfer to retained earnings		-	(41,460)	-	41,460	-	-	-
Total transactions with owners		1,956,631	(39,160)	-	583,421	(258,749)	9,396	(2,508,243)
Transfer of unrealised property revaluation gains		-	-	270,905	-	(270,905)	-	-
Balance at 31 December 2011		2,141,985	-	2,518,691	3,481,077	6,503,785	(9,090)	206,968
								14,843,416

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to Owners of the Parent							Total
	Share Capital	Equity Compensation Reserve	Property Revaluation Reserve	Investment and Other Reserves	Retained Earnings	Treasury Stock	Non-controlling Interests	
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2012	2,141,985	-	2,518,691	3,481,077	6,503,785	(9,090)	206,968	14,843,416
Comprehensive income								
Net profit	-	-	-	-	2,081,551	-	25,788	2,107,339
Other comprehensive income:	-	-	-	97,016	-	-	(148)	96,868
Total comprehensive income for the year	-	-	-	97,016	2,081,551	-	25,640	2,204,207
Transactions with owners								
Dividends paid to equity holders of the company	30	-	-	-	(436,869)	-	-	(436,869)
Dividends paid to non-controlling interest		-	-	-	-	-	(24,000)	(24,000)
Dilution of shareholding in subsidiary				43,144	-	-	21,651	64,795
Acquisition of treasury stock		-	-	-	-	(809)	-	(809)
Total transactions with owners		-	-	43,144	(436,869)	(809)	(2,349)	(396,883)
Transfer of unrealised property revaluation gains		-	156,620	-	(156,620)	-	-	-
Balance at 31 December 2012	2,141,985	-	2,675,311	3,621,237	7,991,847	(9,899)	230,259	16,650,740

Consolidated Statement of Cash Flows

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Cash Flows from Operating Activities	31	<u>423,127</u>	<u>416,511</u>
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	20	(35,958)	(155,390)
Improvements to investment properties	16	(5,202)	(5,726)
Proceeds from disposal of property, plant and equipment		6,437	3,119
Acquisition of shares in associated companies	17	(3,498,573)	-
Acquisition of treasury stock		(809)	-
Cost associated with issue of shares		-	(19,852)
Investment in joint venture		(71,061)	(56,027)
Dividends from associated companies		614,872	605,796
Disposal of investment securities, net		657,759	509,192
Advances on future developments		<u>(282,439)</u>	<u>-</u>
Net cash (used in)/provided by investing activities		<u>(2,614,974)</u>	<u>881,112</u>
Cash Flows from Financing Activities			
Due to related parties		(5,225)	-
Loans received		3,709,265	705,267
Loans repaid		(165,668)	(1,765,224)
Interest paid		(48,036)	(87,069)
Cash received on third party equity injection in a subsidiary		64,795	-
Finance lease, net		1,383	2,572
Dividends paid to non-controlling interest		(24,000)	(30,226)
Dividends paid to equity holders	30	<u>(436,869)</u>	<u>(300,209)</u>
Net cash provided by/(used in) by financing activities		<u>3,095,645</u>	<u>(1,474,889)</u>
Net increase/(decrease) in cash and cash equivalents		903,798	(177,266)
Effect of exchange rate changes on cash and cash equivalents		23,932	2,788
Cash and cash equivalents at beginning of year		<u>774,178</u>	<u>948,656</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	<u><u>1,701,908</u></u>	<u><u>774,178</u></u>

Company Income Statement

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Income			
Investments	5	881,465	1,403,330
Management fees	7	35,628	14,612
Miscellaneous	7	182	383
		<u>917,275</u>	<u>1,418,325</u>
Expenses			
Operating expenses	8	253,031	181,784
Finance costs	10	117,732	61,536
		<u>370,763</u>	<u>243,320</u>
Profit before Taxation		546,512	1,175,005
Taxation	11	(35,842)	(13,920)
NET PROFIT		<u>510,670</u>	<u>1,161,085</u>
Attributable to:			
Owners of the company		510,670	1,097,893
Non-controlling interests		-	63,192
		<u>510,670</u>	<u>1,161,085</u>

Company Statement of Comprehensive Income

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	2012 \$'000	2011 \$'000
Net Profit for the year	<u>510,670</u>	<u>1,161,085</u>
Other Comprehensive Income		
Unrealised gain on available-for-sale financial assets, net of taxation	11,580	181
Gains recycled to profit or loss on disposal and maturity of investment assets, net of taxation	<u>(62,590)</u>	<u>(4,332)</u>
	<u>(51,010)</u>	<u>(4,151)</u>
TOTAL COMPREHENSIVE INCOME	<u><u>459,660</u></u>	<u><u>1,156,934</u></u>
Attributable to:		
Owners of the company	459,660	1,088,185
Non-controlling interests	<u>-</u>	<u>68,749</u>
	<u><u>459,660</u></u>	<u><u>1,156,934</u></u>

Company Statement of Financial Position

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
ASSETS			
Cash and Bank Balances	13	18,624	4,587
Investments			
Deposits	13	734,068	114,123
Investment securities			
Financial assets at fair value through profit and loss	14	-	7,628
Available-for-sale	14	623,842	976,523
Loans and receivables	14	457,350	314,185
		1,081,192	1,298,336
Securities purchased under agreements to resell	15	525,999	241,780
Investment in subsidiaries	17	301,207	211,110
Investment in associated companies	17	7,303,601	3,790,418
		<u>9,946,067</u>	<u>5,655,767</u>
Other Assets			
Due from related parties	22	63,579	348,568
Taxation recoverable		59,546	54,959
Prepayment and miscellaneous assets	19	63,136	253,942
Property, plant and equipment	20	25,150	26,910
Retirement benefit assets	21	41,593	28,152
		<u>253,004</u>	<u>712,531</u>
		<u><u>10,217,695</u></u>	<u><u>6,372,885</u></u>

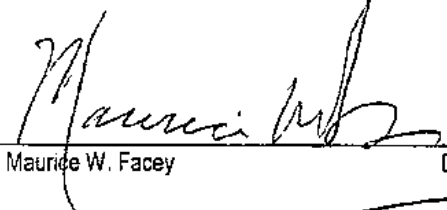
Company Statement of Financial Position (Continued)

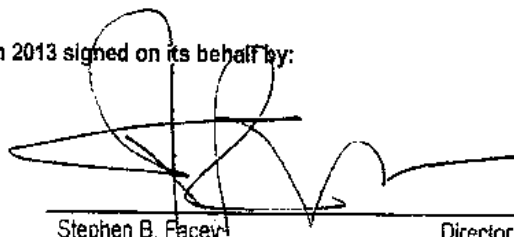
Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
STOCKHOLDERS' EQUITY AND LIABILITIES			
Stockholders' Equity			
Share capital	26	2,141,985	2,141,985
Investment and other reserves	29	1,311,997	1,363,007
Retained earnings		2,617,199	2,543,655
		6,071,181	6,048,647
Liabilities			
Taxation payable		56,598	673
Due to related parties	22	217,411	158,529
Loan liabilities	23	3,717,061	8,267
Finance lease liability	24	4,210	-
Deferred tax liability	18	6,217	26,300
Retirement benefit liabilities	21	48,097	46,631
Other liabilities	25	96,920	83,838
		4,146,514	324,238
		10,217,695	6,372,885

Approved for issue by the Board of Directors on 1 March 2013 signed on its behalf by:


 Maurice W. Facey Director


 Stephen B. Facey Director

Company Statement of Changes in Equity

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Equity Compensation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balance at 1 January 2011		185,354	9,115	2,322,431	1,739,158	988,077	5,244,135
Comprehensive income							
Net profit		-	-	-	1,097,893	63,192	1,161,085
Other comprehensive income:		-	-	(9,708)	-	5,557	(4,151)
Total comprehensive income		-	-	(9,708)	1,097,893	68,749	1,156,934
Transactions with owners							
Shares issued on acquisition of non-controlling interest		1,976,483	-	(950,615)	-	(1,025,868)	-
Cost associated with issue of shares		(19,852)	-	-	-	-	(19,852)
Dividends paid	30	-	-	-	(302,971)	-	(302,971)
Dividends paid to non-controlling interest		-	-	-	-	(30,958)	(30,958)
Disposal of treasury stock		-	-	899	-	-	899
Stock compensation expense	27	-	460	-	-	-	460
Transfer to retained earnings		-	(9,575)	-	9,575	-	-
Total transactions with owners		1,956,631	(9,115)	(949,716)	(293,396)	(1,056,826)	(352,422)
Balance at 31 December 2011		2,141,985	-	1,363,007	2,543,655	-	6,048,647
Comprehensive income							
Net profit		-	-	-	510,670	-	510,670
Other comprehensive income:		-	-	(51,010)	-	-	(51,010)
Total comprehensive income		-	-	(51,010)	510,670	-	459,660
Transactions with owners							
Dividends paid	30	-	-	-	(437,126)	-	(437,126)
Total transactions with owners		-	-	-	(437,126)	-	(437,126)
Balance at 31 December 2012		2,141,985	-	1,311,997	2,617,199	-	6,071,181

Company Statement of Cash Flows

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Cash Flows from Operating Activities	31	<u>767,067</u>	<u>1,064,051</u>
Cash Flows from Investing Activities			
Subscription for additional shares in subsidiary		(79,453)	-
Acquisition of shares in associated companies	17	(3,498,573)	-
Acquisition of property, plant and equipment	20	(4,536)	(10,642)
Cost associated with issue of share capital		-	(19,852)
Disposal of investment securities		<u>317,265</u>	<u>443,143</u>
Net cash (used in)/provided by investing activities		<u>(3,265,297)</u>	<u>412,649</u>
Cash Flows from Financing Activities			
Related parties		240,255	35,186
Loans received		3,601,201	695,567
Loans repaid		(2,938)	(1,761,511)
Interest paid		(5,149)	(53,210)
Finance lease received/(repaid)		4,210	(180)
Dividends paid to non-controlling interest		-	(30,958)
Dividends paid to shareholders	30	<u>(437,126)</u>	<u>(302,971)</u>
Net cash provided by/(used in) financing activities		<u>3,400,453</u>	<u>(1,418,077)</u>
Net increase in cash and cash equivalents		902,223	58,623
Effect of exchange rate changes on cash and cash equivalents		15,409	(538)
Cash and cash equivalents at beginning of year		<u>360,490</u>	<u>302,405</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	<u><u>1,278,122</u></u>	<u><u>360,490</u></u>

Notes to the Financial Statements

Year ended 31 December 2012

(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 activities of the company are holding investments and controlling the operations of its subsidiaries. The company’s income consists mainly of dividends, interest income and management fees earned from its subsidiaries. The registered office of the company is located at 60 Knutsford Boulevard, Kingston 5.
- (c) At an Extraordinary General Meeting of First Jamaica Investments Limited (FJIL) (the company’s then 83% owned subsidiary), held on 23 June 2011, FJIL stockholders approved a court-approved scheme of amalgamation with the company. The scheme became effective 3 August 2011, at which time all assets and liabilities of FJIL were transferred to and vested in the company. All holders of FJIL stock units (other than the company) were issued with new Pan-Jamaican Investment Trust Limited stock units at the rate of 10 new stock units in the company for every 13 FJIL stock units held.

Notes to the Financial Statements

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

(d) 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
Jamaica Property Company Limited	Property Management and Development	100%	-
Jamaica Property Development Limited	Property Development	-	100%
Jamaica Property Management Limited	Property Management	-	100%
Imbrook Properties Limited	Property Development	-	100%
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	50%	-
Busha Browne's Company Limited	Distribution	100%	-
St Andrew Developers Limited	Property Development	33.33%	33.33%
Knutsford Holdings Limited	Office Rental	32%	28%
Panacea Holdings Limited (Incorporated in St. Lucia)	Captive Insurance Holding	100%	-
Panacea Insurance Limited (Incorporated in St. Lucia)	Captive Insurance	-	100%
Castleton Investments Limited (Incorporated in St. Lucia)	Investment Management	100%	-
Associated Companies			
Hardware & Lumber Limited	Retail and Trading	20.83%	-
Sagicor Life Jamaica Limited	Insurance and Pension Management	32.78%	-
Impan Properties Limited	Office Rental	-	20%
New Castle Company Limited (Incorporated in St. Lucia)	Consumer Products	25%	-
Chukka Caribbean Adventures Limited (Incorporated in St. Lucia)	Tourism	20%	-
Caribe Hospitality Jamaica Limited	Hotel Property Developers	35%	-
Other Consolidated Entity			
First Jamaica Employees Share Purchase Plan	Employees share ownership plan	100%	-
Joint Venture Company			
Mavis Bank Coffee Factory Limited		-	50%

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

- (e) All of the company's subsidiaries and associated companies are incorporated and domiciled in Jamaica, except as otherwise indicated.
- (f) On 13 July 2012, the group acquired an additional 7.98% of the share capital of its associated company, Sagcor Life Jamaica Limited increasing its share of ownership from 24.8% to 32.78%.
- (g) During the year the group acquired a 20% holding in Chukka Caribbean Adventures Limited, a company within the tourism sector as well as a 35% holding in Caribe Hospitality Jamaica Limited, a property development company. The effective dates of these transactions were 1 May 2012 and 25 May 2012 respectively.

Through its subsidiary, Scotts Preserves Limited, the company acquired a 50% holding in Mavis Bank Coffee Factory Limited (formerly Orchard Plantation Coffee Factory Limited), a company that processes and sells Jamaican Blue Mountain coffee. The effective date of this transaction was 1 October 2011. During 2012, Scotts Preserves Limited issued ordinary shares to New Castle Limited, thereby diluting the group's shareholding from 100% to 50%.

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 judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Amendments to published standards effective 1 January 2012 that are relevant to the group's operations

There were no amendments or revisions to published standards which impacted the financial statements of the group for the current financial year.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 2012 or later periods, but were not effective at the statement of financial position date. The group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **Amendment to IAS 1, 'Presentation of Financial Statements'**, regarding other comprehensive income, effective for annual periods beginning on or after 1 July 2012. The main change resulting from this amendment is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI. Management is currently assessing the impact of this amendment.
- **IAS 19, 'Employee benefits', effective for annual periods beginning on or after 1 January 2013**
The impact on the group will be as follows: to eliminate the corridor approach and recognize all actuarial gains and losses in other comprehensive income as they occur; to recognize immediately all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount calculated by applying the discount rate to the net defined benefit liability (asset). Management is still assessing the full impact of this amendment.
- **Amendment to IAS 1, 'Presentation of Financial Statements'**, regarding other comprehensive income, effective for annual period beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment does not address which items are presented in OCI.
- **IFRS 10, Consolidated Financial Statements** (effective for annual periods beginning on or after 1 January 2013). This standard replaces IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation-Special Purpose Entities. The standard requires an entity that is a parent to present consolidated financial statements. A limited exemption is available to some entities. The standard addresses certain instances of divergence in practice in applying IAS 27 and SIC-12, for example, entities varied in their application of the control concept in circumstances in which a reporting entity controls another entity but holds less than a majority of the voting rights of the entity, and in circumstances involving agency relationships. In addition, a perceived conflict of emphasis between IAS 27 and SIC-12 had led to inconsistent application of the concept of control. IAS 27 required the consolidation of entities that are controlled by a reporting entity, and it defined control as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. SIC-12, which interpreted the requirements of IAS 27 in the context of special purpose entities, placed greater emphasis on risks and rewards. The group will apply the standard from 1 January 2013. Management is assessing the impact of adoption of the standard on the group.

Notes to the Financial Statements (Continued)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **IFRS 11, Joint Arrangements (effective for annual periods beginning 1 January 2013)**
IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The group will apply from 1 January 2013, but it is not expected to have any significant impact on the group's financial statements.
- **IFRS 12, Disclosure of Interests in Other Entities** (effective for annual periods beginning on or after 1 January 2013). This standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The standard requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The group will apply the standard from 1 January 2013 and it will result in expanded disclosure in the financial statements.
- **IFRS 13, Fair Value Measurement** (effective for annual periods beginning on or after 1 January 2013). The standard explains how to measure fair value for financial reporting. It defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. This standard applies to those standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. The group will apply the standard from 1 January 2013 and it will result in expanded disclosure in the financial statements.

(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.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Transactions and non-controlling interests

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

(iii) Transactions involving the amalgamation of net assets of former subsidiaries

Transactions involving the amalgamation of the net assets of former subsidiaries into those of their parent companies, and the subsequent cancellation of substantially all the issued share capital of those former subsidiaries, are treated as reorganisations in the books of the parent company standing alone. For transactions treated as reorganisations, comparatives are restated to reflect the combined financial results and positions of the parent and the former subsidiary as if the ownership structure were in place from the earliest comparative period. Any differences between the previous carrying amount for the investment in subsidiary in the books of the parent company, and the share capital of the former subsidiary, are dealt with as an adjustment to equity. In the books of the company standing alone, amounts are recognised for non-controlling interests, to the extent that there were non-controlling interests in the subsidiary.

On consolidation, the amalgamation is accounted for as an acquisition of non-controlling interest as discussed above.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(iv) 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.

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

(v) Joint ventures

The group's interest in jointly controlled entities is accounted for using the equity accounting method. Under the equity accounting method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for the post acquisition changes in the group's share of the net assets of the joint venture, less any impairment.

The group's share of its joint ventures' 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. Losses of the joint venture in excess of the group's interest are not recognised unless the group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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.

(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 recognised in other comprehensive income.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

(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 or equity, in which case they are also charged or credited to other comprehensive income or equity. Taxation is based on profit for the year adjusted for taxation purposes at rates applicable to the year.

(i) Current taxation

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

(ii) Deferred income taxes

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

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

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

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

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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 34.

(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.

(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 excluding transaction costs, as transaction costs are taken directly to the income statement.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Investments (continued)

(i) Investment securities (continued)

(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 financial assets 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.

The determination of the fair values of financial assets is discussed in Note 34.

(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 recognised in the income statement.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Investments (continued)

(i) Investment securities (continued)

(c) Loans and receivables

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.

(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.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(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 at annual rates, as follows:

Freehold premises	2½%
Leasehold improvements	over the period of the lease
Furniture, fixtures & equipment	5% - 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.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

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.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 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.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

(i) Income taxes

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

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its 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 34 of the financial statements.

(iii) Impairment of investment securities and investment in associated and joint venture 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 or joint venture 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 and joint venture 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 and joint venture 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 and joint venture companies.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the 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 direct capitalisation approach. This approach takes into consideration various assumptions and factors including; the level of current and future occupancy, rent rates, a discount rate, and the current condition of the properties. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

The assumptions to which the values are most sensitive are the occupancy levels, as reflected in the vacancy factor and the discount rate. Should the vacancy factor used increase/decrease by 0.25% the value of investment properties would increase/decrease by \$11,000,000. Should the discount rate increase/decrease by 1.0% the value of investment properties would increase/decrease by \$358,000,000.

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

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

For certain acquisitions of investments in associated companies in the current year, the group has utilized certain provisions in IFRS 3, which allow for a provisional determination of the fair values of the group's share of the net assets acquired. IFRS 3 requires previous year's financial statements to be restated if, on finalization in the subsequent financial year, the fair value so determined is different from the value provisionally booked.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(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 executive committee 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. The group's customers are mainly resident in Jamaica.

	2012				
	Property Management & Rental	Investments	Other Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,449,500	133,298	99,005	-	1,681,803
Inter-group revenue	5,939	142,437	-	(148,376)	-
Total revenue	1,455,439	275,735	99,005	(148,376)	1,681,803
Operating profit	644,107	96,949	72,341	(90,921)	722,476
Finance costs	(147,910)	(116,245)	(7,318)	84,767	(186,706)
	496,197	(19,296)	65,023	(6,154)	535,770
Share of results of associated companies and joint venture	-	1,694,688	-	-	1,694,688
Profit before taxation	496,197	1,675,392	65,023	(6,154)	2,230,458
Taxation	(89,836)	(23,764)	(9,519)	-	(123,119)
Net profit	406,361	1,651,628	55,504	(6,154)	2,107,339
Segment assets	5,679,062	2,813,755	169,159	(351,697)	8,310,279
Investment in associated companies and joint venture	-	12,922,232	199,920	-	13,122,152
Total assets	5,679,062	15,735,987	369,079	(351,697)	21,432,431
Segment liabilities	1,100,725	3,925,916	106,747	(351,697)	4,781,691
Other segment items:					
Capital expenditure	31,422	4,536	-	-	35,958
Depreciation	17,333	6,296	-	-	23,629

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

4. Segmental Financial Information (Continued)

	2011				
	Property Management & Rental	Investments	Other Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,513,736	176,872	53,584	-	1,744,192
Inter-group revenue	23,137	670,927	853	(694,917)	-
Total revenue	1,536,873	847,799	54,437	(694,917)	1,744,192
Operating profit	647,538	123,748	37,812		809,098
Finance costs	(39,399)	(61,538)	-	13,199	(87,738)
	608,139	62,210	37,812	13,199	721,360
Share of results of associated companies and joint venture	-	1,389,778	-	-	1,389,778
Profit before taxation	608,139	1,451,988	37,812	13,199	2,111,138
Taxation	(102,350)	(24,799)	(8,429)	-	(135,578)
Net profit	505,789	1,427,189	29,383	13,199	1,975,560
Segment assets	5,378,270	2,541,960	222,903	(503,135)	7,639,998
Investment in associated companies and joint venture	-	8,209,062	74,062	-	8,283,124
Total assets	5,378,270	10,751,021	296,965	(503,135)	15,923,122
Segment liabilities	1,144,222	159,751	278,868	(503,135)	1,079,706
Other segment items:					
Capital expenditure	144,748	10,642	-	-	155,390
Depreciation	9,831	4,224	-	-	14,055

Revenue is recognised by each segment on the accrual basis.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

5. Investment Income

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Income				
Interest income -				
Available-for-sale investments	45,978	106,848	19,352	67,893
Loans and receivables	28,490	-	97,983	126,692
Securities purchased under agreement to resell and deposits	32,655	42,662	8,608	15,432
Realised gains on disposal of investments, net	61,679	41,773	68,027	41,552
Fair value gains on financial assets at fair value through profit and loss	305	35,617	-	3,030
Impairment charge on available-for-sale investments	(8,546)	(14,564)	(8,546)	(14,564)
Foreign exchange gains	52,035	11,335	32,717	5,217
Dividends	39,658	33,553	663,382	1,166,683
Other	164	636	31	37
	<u>252,418</u>	<u>257,860</u>	<u>881,554</u>	<u>1,411,972</u>
Direct expenses				
Investment expense	(134)	(8,670)	(89)	(8,642)
	<u>252,284</u>	<u>249,190</u>	<u>881,465</u>	<u>1,403,330</u>

6. Property Income

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Rental income (Note 16)	1,136,299	1,070,144	-	-
Fair value gains on property valuation (Note 16)	152,800	299,669	-	-
	<u>1,289,099</u>	<u>1,369,813</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

7. Other Income

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Management fees	69,812	39,558	35,628	14,612
Miscellaneous income	27,431	46,128	182	383
	<u>97,243</u>	<u>85,686</u>	<u>35,810</u>	<u>14,995</u>

8. Operating Expenses by Nature

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Direct cost of property management (Note 16)	571,249	538,998	-	-
Staff costs (Note 9)	149,061	149,117	37,303	39,711
Directors fees	58,072	51,802	40,229	35,207
Professional fees	57,545	67,776	31,198	44,092
Auditor's remuneration	14,398	12,900	5,817	5,437
Information technology services	14,775	14,425	2,092	1,522
Office expense	8,582	9,519	1,807	2,968
Public relations, advertising and promotion	2,460	4,560	1,649	3,492
Donations	20,499	18,309	15,010	12,457
Bad debts	9,710	660	90,921	-
Depreciation	23,629	14,055	6,296	4,224
Other	29,347	52,973	20,709	32,674
	<u>959,327</u>	<u>935,094</u>	<u>253,031</u>	<u>181,784</u>

Included in operating expenses for the company is \$90,921,000 (2011 - \$nil) due from subsidiaries written off as bad debts.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

9. Staff Costs

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	103,198	92,848	33,972	20,647
Statutory contributions	10,275	8,978	3,519	2,572
Pension – funded (Note 21(a))	(10)	15,301	(11,521)	5,284
Pension – unfunded (Note 21(b))	1,091	1,352	1,091	1,352
Other post-employment benefits (Note 21(c))	15,171	10,376	3,994	3,053
Stock compensation expense (Note 27)	-	2,503	-	460
Other	19,336	17,759	6,248	6,343
	<u>149,061</u>	<u>149,117</u>	<u>37,303</u>	<u>39,711</u>

10. Finance Costs

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Interest expense	152,701	79,017	113,359	55,050
Foreign exchange losses	29,408	3,003	278	969
Commitment fee	4,597	5,718	4,095	5,517
	<u>186,706</u>	<u>87,738</u>	<u>117,732</u>	<u>61,536</u>

11. Taxation

(a) Composition of tax charge

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

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current income tax at 33 $\frac{1}{3}$ %	185,196	95,220	55,925	11,855
Deferred income taxes (Note 18)	(62,077)	40,358	(20,083)	2,065
	<u>123,119</u>	<u>135,578</u>	<u>35,842</u>	<u>13,920</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, one of the group's subsidiaries has losses available for offset against future taxable profits amounting to approximately \$14,504,000 (2011 - \$25,000,000).

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

11. Taxation (Continued)

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current income tax				
Profit before tax	<u>2,230,458</u>	<u>2,111,138</u>	<u>546,512</u>	<u>1,175,005</u>
Tax at 33 1/3%	743,486	703,713	182,171	391,668
Adjusted for the effects of:				
Income not subject to tax	(97,849)	(147,466)	(106,333)	(406,477)
Adjustment for different tax rate	6,058	-	(103,846)	-
Share of associates' profit included net of tax	(564,896)	(463,259)	-	-
Expenses not deductible for tax purposes	43,967	22,873	66,386	19,884
Other charges and credits	<u>(7,647)</u>	<u>19,713</u>	<u>(2,536)</u>	<u>8,845</u>
Income tax expense	<u>123,119</u>	<u>135,578</u>	<u>35,842</u>	<u>13,920</u>

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

At the end of the financial year, the Government of Jamaica enacted legislation to change the rate of corporation tax for certain companies (including the company and its Jamaican subsidiaries) to 25%, down from 33 1/3%. The rate of 25% was therefore used to calculate deferred taxes at 31 December 2012.

Subsequent to the end of the financial year, the Government of Jamaica announced its intention to increase the rate of tax to 30% on companies with revenues in excess of \$500,000,000 per annum through the introduction of a surtax. As this was not substantively enacted at the end of the financial year, it was not used in the calculation of deferred taxes. Had this rate of taxation been used in the calculation for deferred tax for all entities within the group to which it would apply, the deferred tax credit for 31 December 2012 would have been reduced, and the total income tax charge and deferred tax liability increased by \$16,504,000.00.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

11. Taxation (Continued)

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

	The Group			The Company		
	Before Tax \$'000	Tax Charge \$'000	After Tax \$'000	Before Tax \$'000	Tax Charge \$'000	After Tax \$'000
At 31 December 2012						
Exchange differences on translating foreign operations	11,761	-	11,761	-	-	-
Fair value gains/(losses) on available-for-sale financial assets	(76,243)	3,842	(72,401)	(51,010)	-	(51,010)
Share of other comprehensive income of associated companies	157,508	-	157,508	-	-	-
Other comprehensive income	93,026	3,842	96,868	(51,010)	-	(51,010)

Current income tax

-

Deferred income tax (Note 18)

3,842

-

3,842

-

	The Group			The Company		
	Before Tax \$'000	Tax Charge \$'000	After Tax \$'000	Before Tax \$'000	Tax Charge \$'000	After Tax \$'000
At 31 December 2011						
Exchange differences on translating foreign operations	876	-	876			
Fair value gains on available-for-sale financial assets	26,998	551	27,549	(4,151)	-	(4,151)
Share of other comprehensive income of associated companies	10,233	-	10,233	-	-	-
Other comprehensive income	38,107	551	38,658	(4,151)	-	(4,151)

Current income tax

-

-

Deferred income tax (Note 18)

551

-

551

-

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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

The calculation of basic earnings per stock unit (EPS) is based on the net profit attributable to owners of the parent and the weighted average number of stock units in issue during the year, excluding ordinary stock units purchased by the group and held as treasury stock. At the end of the financial year the group had a weighted average of 130,340 treasury stock units.

For fully diluted EPS, the weighted average number of stock units in issue is adjusted to assume conversion of all potentially dilutive ordinary stock units. The net profit is also adjusted to reflect the after tax effect of income arising from the conversion of such potential ordinary stock units. At the end of the 2012 and 2011 financial years, there were no potentially dilutive ordinary shares

	2012	2011
Net profit attributable to stockholders (\$'000)	2,081,551	1,758,990
Weighted average number of stock units in issue (thousands)	213,102	187,704
Basic and fully diluted earnings per stock unit (\$)	<u>\$9.77</u>	<u>\$9.37</u>

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

	2012	2011
	\$'000	\$'000
Net Profit		
The company	510,670	1,161,085
Associated companies and joint venture	1,079,816	783,982
Subsidiaries	<u>516,853</u>	<u>30,493</u>
	<u>2,107,339</u>	<u>1,975,560</u>

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

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

13. 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.

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash and bank balances	41,721	16,081	18,624	4,587
Deposits	896,092	176,938	734,068	114,123
Securities purchased under agreements to resell (Note 15)	862,757	593,873	525,999	241,780
	<u>1,800,570</u>	<u>786,892</u>	<u>1,278,691</u>	<u>360,490</u>
Less amounts with original terms to maturity over 90 day and hypothecated balances				
Deposits	(97,265)	(11,514)	-	-
Securities purchased under agreements to resell	(1,397)	(1,200)	(569)	-
Cash and Cash Equivalents	<u>1,701,908</u>	<u>774,178</u>	<u>1,278,122</u>	<u>360,490</u>

Security for the bank overdrafts includes certain specific investments. The effective interest rate on the overdraft facility was 16.4% (2011 – 17%).

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

14. Investment Securities

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial assets at fair value through profit and loss:				
Equity securities-quoted	112,057	277,867	-	7,628
	<u>112,057</u>	<u>277,867</u>	<u>-</u>	<u>7,628</u>
Available-for-sale at fair value:				
Debt securities -				
Government of Jamaica	105,272	574,999	4,511	198,387
Other Government	95,922	38,241	-	38,241
Corporate	134,660	273,169	134,660	168,544
Equity securities	474,719	561,431	484,671	571,351
	<u>810,573</u>	<u>1,447,840</u>	<u>623,842</u>	<u>976,523</u>
Loans and receivables	<u>141,563</u>	<u>7,309</u>	<u>457,350</u>	<u>314,185</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 \$14,805,000 and \$8,270,000 (2011 - \$18,261,000 and \$10,962,000) for the group and the company.

Certain of the group's investment securities were impaired as at 31 December, for which impairment charges totaling \$8,546,000 (2011 - \$38,886,000) were recorded.

Loans and receivables for the group and the company were all with related parties and include interest receivable of \$3,750,000 (2011 - \$nil) and \$13,118,000 (2011 - \$7,804,000) for the group and company respectively.

Current portion of investment securities was \$15,848,000 (2011 - \$195,338,000) for the group and \$9,187,000 (2011 - \$168,712,000) for the company.

15. 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 (Note 13). All amounts were due within 12 months.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

16. Investment Properties

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
At 1 January	4,201,355	3,888,690	-	-
Improvements	5,202	5,726	-	-
Transferred from capital work-in-progress (Note 20)	9,547	8,523	-	-
Disposal	(1,964)	(1,253)	-	-
Fair value gains (Note 6)	152,800	299,669	-	-
At 31 December	4,366,940	4,201,355	-	-

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

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Rental income (Note 6)	1,136,299	1,070,144	-	-
Direct costs (Note 8)	(571,249)	(538,998)	-	-

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. (See note 6). Certain of the group's investment property has been pledged as collateral for some of the group's loan facilities, as discussed in Note 23.

17. Investment in Subsidiaries and Associated Companies

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Subsidiary companies -				
Balance at 1 January	-	-	211,110	211,110
Equity injection in a subsidiary during the year.	-	-	90,097	-
Balance at 31 December	-	-	301,207	211,110

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

17. Investment in Subsidiaries and Associated Companies (Continued)

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Associated companies -				
Sagicor Life Jamaica Limited				
Shareholding at cost	6,661,717	3,590,599	6,661,717	3,590,599
Share of profit	8,181,384	6,529,355	-	-
Dividends received	(3,181,188)	(2,574,714)	-	-
Share of reserves	496,397	338,888	-	-
Gain on dilution of holding	38,936	38,936	-	-
	<u>12,197,246</u>	<u>7,923,064</u>	<u>6,661,717</u>	<u>3,590,599</u>
Hardware and Lumber Limited				
Shareholding at cost	22,296	22,296	22,296	22,296
Share of losses	(16,233)	(21,645)	-	-
Dividends received	(7,494)	(5,389)	-	-
Impairment loss	(85,071)	(85,071)	-	-
Share of capital reserves	155,684	155,684	-	-
	<u>69,182</u>	<u>65,875</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	45,501	43,454	-	-
	<u>223,024</u>	<u>220,977</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	(8,877)	(8,877)	-	-
	<u>(854)</u>	<u>(854)</u>	<u>-</u>	<u>-</u>
Caribe Hospitality Jamaica Limited				
Shareholding at cost	96,210	-	96,210	-
Share of loss	(9,423)	-	-	-
	<u>86,787</u>	<u>-</u>	<u>96,210</u>	<u>-</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

17. Investment in Subsidiaries and Associated Companies (Continued)

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Chukka Caribbean Adventures Limited				
Shareholding at cost	345,855	-	345,855	-
Share of profit	7,285	-	-	-
Dividends received	(6,293)	-	-	-
	<u>346,847</u>	<u>-</u>	<u>345,855</u>	<u>-</u>
	<u>12,922,232</u>	<u>8,209,062</u>	<u>7,303,601</u>	<u>3,790,418</u>
Comprising:				
Share of net assets	10,945,112	7,304,810	-	-
Intangibles assets (including goodwill)	1,977,120	904,252	-	-
	<u>12,922,232</u>	<u>8,209,062</u>	<u>-</u>	<u>-</u>

A portion of the group's shareholding in Sagicor has been pledged as collateral for loan liabilities, as discussed in Note 23 of the financial statements.

Acquisition of Additional Investments

- (a) On July 13, 2012 the company acquired approximately 300 million stock units of its associated company, Sagicor Life Jamaica Limited for a purchase consideration of \$3,071,118,000, bringing its share of ownership from 24.81% to 32.78%. Included in the carrying value for the investment acquired in this financial year are intangible assets valued at \$639,395,000, the value for which has been determined provisionally, as allowed by IFRS 3. Should the finalized determination of the value of these intangibles in the next financial year be a materially different value, the financial statements will have to be restated during the next financial year. Goodwill of \$164,386,000, also provisionally determined, also forms part of this balance.
- (b) On May 1, 2012 the company acquired a 20% shareholding in Chukka Caribbean Adventures Limited for a purchase consideration of US\$4,000,000 (\$345,855,000). Included in the carrying value for the investment acquired in this financial year are intangible assets valued at \$111,677,000, the value for which has been determined provisionally, as allowed by IFRS 3. Should the finalized determination of the value of these intangibles in the next financial year be a materially different value, the financial statements will have to be restated during the next financial year. Goodwill of \$156,962,000, also provisionally determined, also forms part of the balance.
- (c) On May 25, 2012 the company subscribed for a 35% shareholding in Caribe Hospitality Investment Limited (a start up entity) for a subscription amount of \$96,210,000.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

17. Investment in Subsidiaries and Associated Companies (Continued)

(d) In 2011, the company acquired all the non-controlling interest in First Jamaica Investments Limited (FJIL) pursuant to a court-approved scheme of amalgamation with the company. As a result of the scheme of amalgamation, the company issued 39,696,715 stock units to FJIL'S stockholders (other than the company). All but two (2) of FJIL's stock units were cancelled, and all assets and liabilities of FJIL were transferred to and vested in the company.

As a result of the amalgamation, non-controlling interest with a carrying value of \$2,478,220,000 was eliminated, share capital of the company increased by 39,696,715 stock units with a stated value of \$1,976,483,000 and investment and other reserves increased by \$501,737,000. The transaction had no impact on the net earnings or comprehensive income of the group.

The assets, liabilities, revenue and net profit or (loss) of the associates as at and for the years ended 31 December 2012 and 2011 are as follows:

	Assets \$'000	Liabilities \$'000	Revenue \$'000	Net Profit/(loss) \$'000
2012				
Sagikor Life Jamaica Limited	175,193,812	140,792,915	31,475,259	5,790,660
Hardware and Lumber Limited	2,519,202	1,524,644	6,284,052	27,182
New Castle Company Limited	1,225,904	297,324	370,549	30,627
Chukka Caribbean Adventures Limited	1,844,712	1,169,552	1,324,423	36,179
Caribe Hospitality Jamaica Limited	344,404	89,145	-	(26,617)
Impan Properties Limited	44,126	4,021	-	-
	<u>181,172,160</u>	<u>143,877,601</u>	<u>39,454,283</u>	<u>5,858,031</u>
2011				
Sagikor Life Jamaica Limited	161,098,533	131,045,325	28,669,885	5,522,830
Hardware and Lumber Limited	2,909,860	1,947,819	6,055,922	6,296
New Castle Company Limited	747,852	254,958	639,079	47,208
Impan Properties Limited	44,126	4,021	-	-
	<u>164,800,371</u>	<u>133,252,123</u>	<u>35,364,886</u>	<u>5,576,334</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

17. Investment in Subsidiaries and Associated Companies (Continued)

Investment in Joint Venture

In 2011, through its subsidiary Scotts Preserves Limited, the group acquired a 50% holding in Mavis Bank Coffee Factory Limited (formerly Orchard Plantation Coffee Factory Limited), a company that processes and sells Jamaican Blue Mountain coffee. The company's investment in joint venture was as follows:

	2012	2011
	\$'000	\$'000
Shareholding at cost	56,027	56,027
Loan	88,521	-
Share of profit	<u>55,372</u>	<u>18,035</u>
	<u>199,920</u>	<u>74,062</u>

The assets, liabilities and revenue of the joint venture at year end were: Assets - \$697,199,000 (2011 - \$532,820,000), liabilities - \$566,456,000 (2011 - \$484,803,000), revenue - \$736,245,000 (2011 - \$719,575,000)

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

18. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25% for 2012 and 33 1/3% for 2011. The use of 25% for 2012 is a consequence of enactment of legislation, at the year end, to change the rate of corporation tax to 25%. (See note 11(b)).

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deferred tax assets	336	107	-	-
Deferred tax liabilities	(99,143)	(164,833)	(6,217)	(26,300)
Net liability	(98,807)	(164,726)	(6,217)	(26,300)

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at 1 January	(164,726)	(124,919)	(26,300)	(24,235)
Tax credited/(charged) to income statement (Note 11)	62,077	(40,358)	20,083	(2,065)
Tax credited to components of other comprehensive income (Note 11)	3,842	551	-	-
Balance at 31 December	(98,807)	(164,726)	(6,217)	(26,300)

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

18. Deferred Income Taxes (Continued)

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

	The Group					Total \$'000
	Pension and other post employment benefits \$'000	Interest payable \$'000	Stock compensation provision \$'000	Unutilised tax losses \$'000	Other \$'000	
Deferred income tax assets						
At 1 January 2011	13,959	2,530	14,813	3,349	5,031	39,682
Credited/(charged) to the income statement	6,916	3,500	2,563	(1,876)	(2,387)	8,716
At 31 December 2011	20,875	6,030	17,376	1,473	2,644	48,398
Credited/(charged) to the income statement	615	146	(3,358)	-	5,085	2,488
At 31 December 2012	21,490	6,176	14,018	1,473	7,729	50,886

	The Group						Total \$'000
	Property, plant and equipment \$'000	Pension benefits \$'000	Investment property \$'000	Interest receivable \$'000	Unrealised foreign exchange gains \$'000	Investment securities \$'000	
Deferred income tax liabilities							
At 1 January 2011	81	822	117,130	9,283	32,877	4,408	164,601
Charged/(credited) to the income statement	167	14,720	24,835	(2,777)	(6,560)	18,689	49,074
Credited to other comprehensive income	-	-	-	-	-	(551)	(551)
At 31 December 2011	248	15,542	141,965	6,506	26,317	22,546	213,124
Charged/(credited) to the income statement	27	(3,518)	(24,801)	5,050	(22,115)	(14,232)	(59,589)
Credited to other comprehensive income	-	-	-	-	-	(3,842)	(3,842)
At 31 December 2012	275	12,024	117,164	11,556	4,202	4,472	149,693

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

18. Deferred Income Taxes (Continued)

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

	The Company					
	Pension and other post retirement benefits	Interest Payable	Other	Net lease obligation	Stock compensation provision	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets						
At 31 December 2010	4,486	-	-	626	1,309	6,421
Credited/(charged) to income statement	4,897	1,407	15	(626)	1,882	7,575
At 31 December 2011	9,383	1,407	15	-	3,191	13,996
Credited/(charged) to income statement	1,015	(919)	5	-	(389)	(288)
At 31 December 2012	10,398	488	20	-	2,802	13,708

	The Company				
	Property, plant and equipment	Pension benefits	Interest receivable	Unrealised foreign exchange gains	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred income tax liabilities					
At 31 December 2010	81	822	6,708	23,045	30,656
Charged/(credited) to the income statement	167	14,720	(2,441)	(2,806)	9,640
At 31 December 2011	248	15,542	4,267	20,239	40,296
Charged/(credited) to income statement	26	(3,518)	1,037	(17,916)	(20,371)
At 31 December 2012	274	12,024	5,304	2,323	19,925

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.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

18. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Deferred tax assets to be recovered after more than 12 months	21,490	20,875	13,200	9,383
Deferred tax assets to be recovered within 12 months	21,412	8,129	508	4,613
	<u>42,902</u>	<u>29,004</u>	<u>13,708</u>	<u>13,996</u>
Deferred tax liabilities to be settled after more than 12 months	129,188	157,507	14,621	15,790
Deferred tax liabilities to be settled within 12 months	12,521	36,223	5,304	24,506
	<u>141,709</u>	<u>193,730</u>	<u>19,925</u>	<u>40,296</u>
Net liability	<u>(98,807)</u>	<u>(164,726)</u>	<u>(6,217)</u>	<u>(26,300)</u>

19. Prepayment and Miscellaneous Assets

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade receivables	49,315	62,746	-	-
Inventories	3,916	3,526	-	-
Managed properties fees receivable	15,436	27,093	-	-
Prepaid expenses	37,572	33,279	15,212	14,721
Other receivables	98,735	200,284	19,860	139,016
Deposits	366,129	100,205	28,064	100,205
Land awaiting development	42,168	42,168	-	-
	<u>613,271</u>	<u>469,301</u>	<u>63,136</u>	<u>253,942</u>

The current portion of miscellaneous assets amounted to \$218,359,000 (2011 - \$173,837,000) for the Group and \$52,373,000 (2011 - \$33,336,000) for the company.

Included in other receivables are amounts due from related parties totaling \$32,337,000 (2011 - \$137,813,000) for the group and \$0 (2011 - \$137,813,000) for the company.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

20. Property, Plant and Equipment

		The Group						
		Freehold Premises	Leasehold Improvements	Furniture, Fixtures & Equipment	Assets Capitalised under Finance Leases	Motor Vehicles	Capital Work in Progress	Total
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost -								
	1 January 2011	65,964	14,325	41,196	17,911	45,114	93,756	278,266
	Additions	-	-	2,398	-	10,642	142,350	155,390
	Disposals	-	-	(1,891)	-	(2,066)	(694)	(4,651)
	Transfers	-	-	214,325	-	-	(222,848)	(8,523)
	31 December 2011	65,964	14,325	256,028	17,911	53,690	12,564	420,482
	Additions	-	-	15,225	4,369	3,375	12,989	35,958
	Disposals	-	-	(2,235)	-	(3,225)	(228)	(5,688)
	Transfers	-	-	363	-	-	(9,910)	(9,547)
	31 December 2012	65,964	14,325	269,381	22,280	53,840	15,415	441,205
Accumulated Depreciation -								
	1 January 2011	7,377	9,711	20,720	4,362	10,656	-	52,826
	Charge for year	1,268	-	2,973	515	9,299	-	14,055
	Relieved on disposal	-	-	(1,891)	-	(894)	-	(2,785)
	31 December 2011	8,645	9,711	21,802	4,877	19,061	-	64,096
	Charge for year	723	-	10,703	734	11,469	-	23,629
	Relieved on disposal	-	-	-	-	(1,215)	-	(1,215)
	31 December 2012	9,368	9,711	32,505	5,611	29,315	-	86,510
Net Book Value -								
	31 December 2012	56,596	4,614	236,876	16,669	24,525	15,415	354,695
	31 December 2011	57,319	4,614	234,226	13,034	34,629	12,564	356,386

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

20. 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 2011	199	6,140	7,826	17,817	31,982
Additions	-	-	-	10,642	10,642
31 December 2011	199	6,140	7,826	28,459	42,624
Additions	-	168	4,368	-	4,536
31 December 2012	199	6,308	12,194	28,459	47,160
Accumulated Depreciation -					
1 January 2011	199	3,538	6,796	957	11,490
Charge for the year	-	337	515	3,372	4,224
31 December 2011	199	3,875	7,311	4,329	15,714
Charge for the year	-	63	733	5,500	6,296
31 December 2012	199	3,938	8044	9,829	22,010
Net Book Value -					
31 December 2012	-	2,370	4,150	18,630	25,150
31 December 2011	-	2,265	515	24,130	26,910

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. 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 2012.

The amounts recognised in the statement of financial position comprise:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Assets				
Funded pension obligations (Note 20(a))	41,593	28,152	41,593	28,152
Liabilities				
Unfunded pension obligations (Note 21(b))	12,792	13,316	12,792	13,316
Other (Note 21(c))	79,674	67,791	35,305	33,315
	92,466	81,107	48,097	46,631

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Pension obligations - funded (Note 21(a))	(10)	15,301	(11,521)	5,284
Pension obligations – unfunded (Note 21(b))	1,091	1,352	1,091	1,352
Other post-employment obligations:				
Medical and life insurance (Note 21(c))	15,171	10,376	3,994	3,053
	16,252	27,029	(6,436)	9,689

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefit (Continued)

(a) Funded pension obligations

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Present value of funded obligations	484,449	377,902	138,529	121,700
Fair value of plan assets	(644,914)	(594,419)	(394,747)	(375,255)
	(160,465)	(216,517)	(256,218)	(253,555)
Unrecognised actuarial (losses)/gains	(147,299)	(87,503)	(3,080)	8,377
Unrecognised asset	266,171	275,868	217,705	217,026
Asset in the statement of financial position	(41,593)	(28,152)	(41,593)	(28,152)

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 with a fair value of \$1,355,207,000 (2011 – \$1,423,429,000).

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Beginning of year	377,902	247,387	121,700	54,652
Current service cost	13,417	13,213	2,353	3,115
Interest cost	32,744	24,082	9,899	5,315
Contributions by plan participants	12,292	9,778	2,064	1,847
Actuarial losses/(gains)	63,644	5,242	13,214	(8,606)
Purchased annuities	3,468	93,886	-	70,676
Benefits paid	(19,018)	(15,686)	(10,701)	(5,299)
End of year	484,449	377,902	138,529	121,700

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefit (Continued)

(a) Funded pension obligations (continued)

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Beginning of year	594,419	444,760	375,255	273,667
Expected return on plan assets	39,821	36,264	24,453	22,280
Actuarial gains	502	13,671	1,757	10,355
Employer contributions	13,430	11,746	1,919	1,729
Employee contributions	12,292	9,778	2,064	1,847
Purchased annuities	3,468	93,886	-	70,676
Benefits paid	(19,018)	(15,686)	(10,701)	(5,299)
End of year	<u>644,914</u>	<u>594,419</u>	<u>394,747</u>	<u>375,255</u>

The expected contributions for the year 2013 are \$27,560,000 for the group and \$4,270,000 for the company.

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current service cost	13,417	13,213	2,353	3,115
Interest cost	32,744	24,082	9,899	5,315
Expected return on plan assets	(39,821)	(36,264)	(24,453)	(22,280)
Net actuarial losses recognised in year	3,346	3,304	-	-
Change in unrecognised asset	(9,696)	10,966	680	19,134
Total	<u>(10)</u>	<u>15,301</u>	<u>(11,521)</u>	<u>5,284</u>

The actual return on plan assets for 2012 was \$47,913,000 and \$30,480,000 (2011 – \$57,671,000 and \$27,239,000) for the group and the company, respectively.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefits (Continued)

(a) Funded pension obligations (continued)

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2012	2011	2012	2011
	%	%	%	%
Discount rate	10.5	10.0	10.5	10.0
Expected return on plan assets	9.3	6.3	9.3	6.3
Future salary increases	7.8	6.3	7.5	6.0
Future pension increases	4.2	2.5	4.2	2.3

(b) Unfunded pension obligations

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

	The Group and Company	
	2012	2011
	\$'000	\$'000
Present value of unfunded obligations	12,792	13,316

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

	The Group and Company	
	2012	2011
	\$'000	\$'000
Beginning of year	13,316	13,579
Expense	1,091	1,352
Contributions paid	(1,615)	(1,615)
End of year	12,792	13,316

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefit (Continued)

(c) Other post-employment obligations

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

The main actuarial assumption is a long-term increase in health costs of 9% per year (2011 – 8%).

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

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

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	89,773	94,310	24,988	32,186
Unrecognised actuarial (losses)/gains	(10,099)	(26,519)	10,317	1,129
Liability in the statement of financial position	<u>79,674</u>	<u>67,791</u>	<u>35,305</u>	<u>33,315</u>

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

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Beginning of year	94,310	66,855	32,186	27,894
Current service cost	4,523	3,265	516	476
Interest cost	9,452	7,117	3,303	2,899
Benefits paid	(3,288)	(4,656)	(2,004)	(3,389)
Actuarial (gains)/losses	(15,224)	21,729	(9,013)	4,306
End of year	<u>89,773</u>	<u>94,310</u>	<u>24,988</u>	<u>32,186</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefit (Continued)

(c) Other post-employment obligations (continued)

The expense recognised in the income statement is as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current service cost	4,523	3,265	516	476
Interest cost	9,452	7,117	3,303	2,899
Actuarial losses/(gains) recognised during the year	1,196	(6)	175	(322)
Total, included in staff costs (Note 9)	<u>15,171</u>	<u>10,376</u>	<u>3,994</u>	<u>3,053</u>

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

	Increase \$'000	Decrease \$'000
Effect on the aggregate of the current service cost and interest cost	16,923	11,560
Effect on the defined benefit obligation	107,057	76,676

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefit (Continued)

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

	The Group			
	2012		2011	
	\$'000	%	\$'000	%
Equity	28,882	4	47,211	8
Debt	444,980	69	391,975	66
Other	171,052	27	155,233	26
	<u>644,914</u>	<u>100</u>	<u>594,419</u>	<u>100</u>

	The Company			
	2012		2011	
	\$'000	%	\$'000	%
Equity	19,532	5	37,490	10
Debt	246,762	64	220,519	59
Other	128,453	33	117,246	31
	<u>394,747</u>	<u>100</u>	<u>375,255</u>	<u>100</u>

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

	The Group			
	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000
Present value of defined obligation-funded	484,449	377,902	247,387	151,621
Fair value of plan assets	(644,914)	(594,419)	(444,760)	(381,519)
	<u>(160,465)</u>	<u>(216,517)</u>	<u>(197,373)</u>	<u>(229,898)</u>
Present value of defined obligations -unfunded	<u>102,565</u>	<u>107,626</u>	<u>80,434</u>	<u>57,164</u>
Experience adjustments on plan liabilities-funded	63,644	5,242	80,833	4,280
Experience adjustments on plan liabilities-unfunded	(17,082)	20,595	19,279	(8,483)
Experience adjustments on plan assets	<u>(502)</u>	<u>(13,671)</u>	<u>(26,245)</u>	<u>(7,567)</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Retirement Benefit (Continued)

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

	The Company			
	2012	2011	2010	2009
	\$'000	\$'000	\$'000	\$'000
Present value of defined obligation-funded	138,529	121,700	54,652	33,819
Fair value of plan assets	(394,747)	(375,255)	(273,667)	(233,277)
	<u>(256,218)</u>	<u>(253,555)</u>	<u>(219,015)</u>	<u>(199,458)</u>
Present value of defined obligations -unfunded	<u>37,780</u>	<u>45,502</u>	<u>52,402</u>	<u>36,544</u>
Experience adjustments on plan liabilities-funded	13,214	(8,606)	21,206	(15,898)
Experience adjustments on plan liabilities-unfunded	(10,871)	3,711	4,259	(2,826)
Experience adjustments on plan assets	<u>(1,757)</u>	<u>(10,355)</u>	<u>(21,776)</u>	<u>(4,871)</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

22. Related Party Balances and Transactions

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Amounts due from related parties:				
Subsidiaries:				
Busha Browne's Company Limited	-	-	10,589	68,935
Portfolio Partners Limited	-	-	-	89,487
Castleton Investments Limited	-	-	31,851	47,650
Jamaica Floral Exports Limited	-	-	-	90,542
Pan-Jamaican Mortgage Society Limited	-	-	-	401
Jamaica Property Company Limited	-	-	438	-
Jamaica Property Development Limited	-	-	3,744	-
Scott's Preserves Limited	-	-	16,957	51,553
	-	-	63,579	348,568
Amounts due to related parties:				
Employees Share Purchase Plan	-	-	154,985	155,795
Subsidiaries:				
Jamaica Property Company Limited	-	-	-	449
Portfolio Partners Limited	-	-	60,192	-
Panacea Holdings Limited	-	-	2,234	2,285
Associated companies:				
Sagikor Life Jamaica Limited	-	5,225	-	-
	-	5,225	217,411	158,529
Net (liability)/asset	-	(5,225)	(153,832)	190,039

The current portion of amounts due from related parties was \$16,956,000 (2011 - \$nil) and to related parties was \$60,192,000 (2011 - \$449,000) for the company.

Other balances with related parties are discussed in notes 14, 17 and 19, which deal with investment securities, "investments in subsidiaries, associated companies and joint ventures" and "prepayments and miscellaneous assets" respectively.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

22. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Subsidiaries -				
Management fees received	-	-	35,628	14,612
Interest income	-	-	89,061	-
Interest paid	-	-	(2,052)	(8,452)
Bad debt written off	-	-	(90,921)	-
Dividends received	-	-	19,200	535,168
Associated companies -				
Dividends received	-	-	614,872	605,796
Other related parties -				
Rental income	94,301	85,203	-	-
Interest and other income earned	16,851	41,126	16,070	5,171
Interest and other expenses paid	(3,836)	(31,125)	(1,053)	(28,608)
Other expenses	(13,068)	(11,016)	(7,189)	(8,735)
	<u>(13,068)</u>	<u>(11,016)</u>	<u>(7,189)</u>	<u>(8,735)</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

22. Related Party Transactions and Balances (Continued)

(c) Key management compensation:

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	80,923	69,092	36,089	26,439
Statutory contributions	6,489	4,833	3,055	1,595
Post-employment benefits	688	5,913	(2,869)	993
Share-based compensation	-	2,503	-	460
	<u>88,100</u>	<u>82,341</u>	<u>36,275</u>	<u>29,487</u>
Directors emoluments				
Fees	10,917	17,447	10,917	17,190
Other	17,443	11,900	17,443	11,900
Management compensation (included above)	29,712	22,455	11,869	6,118
	<u>58,072</u>	<u>51,802</u>	<u>40,229</u>	<u>35,208</u>

(d) Loans from related parties

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	17,855	1,075,180	8,267	1,075,180
New loans	69,322	19,278	-	9,578
Repayments	(65,112)	(1,072,723)	(2,938)	(1,072,611)
Interest charged	2,307	29,293	1,054	29,293
Interest paid	(2,307)	(31,125)	(1,054)	(31,125)
Foreign exchange gains	-	(2,048)	-	(2,048)
	<u>22,065</u>	<u>17,855</u>	<u>5,329</u>	<u>8,267</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

23. Loan Liabilities

	Currency	Rate %	Repayable	The Group	
				2012 \$'000	2011 \$'000
Secured -					
(i) CIBC First Caribbean International Bank Limited	J\$	15.1	2017	49,311	56,230
(ii) Sagicor Bank Jamaica Ltd	J\$	14.9	2014	5,329	8,267
(iii) Sagicor Bank Jamaica Ltd	J\$	14.5	2016	7,666	9,587
(iv) Commercial Notes	J\$	9.25	2014	590,425	-
(v) Commercial Notes	J\$	9.75	2015	736,982	-
(vi) Commercial Notes	J\$	8.75	2017	1,128,751	-
(vii) International Finance Corporation	US\$	6.59	2019	403,155	430,676
(viii) International Finance Corporation	US\$	4.36	2019	1,151,873	-
Unsecured -					
(ix) JN Properties Limited	J\$	Variable	No fixed date	13,586	13,586
(x) Sagicor Bank Jamaica Limited	US\$	7.42	2013	9,070	-
				4,096,148	518,346
Interest payable				116,578	13,868
				<u>4,212,726</u>	<u>532,214</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

23. Loan Liabilities (Continued)

	Currency	Rate %	Repayable	The Company	
				2012 \$'000	2011 \$'000
Secured -					
(ii) Sagicor Bank Jamaica Ltd	J\$	14.9	2014	5,329	8,267
(iv) Commercial Notes	J\$	9.25	2014	590,425	-
(v) Commercial Notes	J\$	9.75	2015	736,982	-
(vi) Commercial Notes	J\$	9.75	2017	1,128,751	-
(viii) International Finance Corporation	US\$	4.36	2019	1,151,873	-
				<u>3,613,360</u>	<u>8,267</u>
Interest payable				<u>103,701</u>	<u>-</u>
				<u><u>3,717,061</u></u>	<u><u>8,267</u></u>

The current portion of loan liabilities amounted to \$284,347,000 (2011 - \$79,004,000) for the group and \$195,725,000 (2011 - \$2,938,000) for the company.

Commercial Notes are shown net of transaction costs, which are amortised over the life of the notes. Total transaction costs amounted to \$50,394,000 and the unamortised portion at 31 December 2012 was \$43,842,000.

- (i) This loan was issued by CIBC 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 on this loan is charged at 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.
- (ii) This represents the outstanding balance on a J\$9,577,500 loan issued by Sagicor Bank Jamaica Limited. Interest is charged at a rate of 14.9% per annum. The loan is secured by a motor vehicle and is scheduled to be repaid by 2014.
- (iii) This represents the outstanding balance on a J\$9,700,000 loan issued by Sagicor Bank Jamaica Limited. Interest is charged at a rate of 14.5% per annum. The loan is secured by a motor vehicle and is scheduled to be repaid by 2016.
- (iv) This represents the carrying value of certain secured notes issued by the group and company in 2012 with a face value of \$600,000,000, net of issue costs. The notes mature on July 23, 2014, bear interest at a fixed rate of 9.25% per annum, and are secured by certain Sagicor Life Jamaica Limited shares owned by the group.
- (v) This represents the carrying value of certain secured notes issued by the company in 2012 with a face value of \$750,000,000, net of issue costs. The notes mature on July 23, 2015, bear interest at a fixed rate of 9.75% per annum, and are secured by certain Sagicor Life Jamaica Limited shares owned by the group.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

23. Loan Liabilities (Continued)

- (vi) This represents the carrying value of certain secured notes issued by the company in 2012 with a face value of \$1,150,000,000, net of issue costs. The notes mature on July 23, 2017, with an option to the issuer for early redemption on or after July 25, 2016. Interest is fixed for the first six months at 8.75% per annum, following which the rate will be 2.25% above the weighted average yield of the six month Government of Jamaica Treasury Bill issued in the month prior to interest payment. The notes are secured by certain Sagicor Life Jamaica Limited shares owned by the company.
- (vii) This balance represents the first drawdown on a US\$17,500,000 loan facility from the International Finance Corporation (IFC), in the amount of US\$5,000,000. Interest is fixed 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. Repayment of this loan began January 2012 with the first of sixteen semi-annual instalments.
- (viii) This balance represents the second and final drawdown on a US\$17,500,000 loan facility from the International Finance Corporation (IFC), in the amount of US\$12,500,000. Interest is fixed at 4.36% per annum. The loan is secured by a first mortgage over the Sagicor Bank building, IBM and 3M buildings and Manor Park Plaza Phase 2 properties. Repayment of this loan is scheduled to begin July 2013 with the first of thirteen semi-annual instalments.
- (ix) This represents a loan advanced by J.N. Properties Limited. The debt is unsecured, attracts interest at a variable rate and has no fixed repayment terms.
- (x) This represents the balance on a US\$782,000 unsecured loan to finance insurance premiums. Interest is charged at an effective rate of 7.42% per annum. The balance was paid in 2013.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

24. Finance Lease Liabilities

The finance lease obligations are as follows:

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments under finance leases:				
Not later than 1 year	5,710	4,510	1,200	-
Later than 1 year and not later than 5 years	11,398	11,610	4,300	-
	17,108	16,120	5,500	-
Future finance charges	(3,309)	(3,704)	(1,290)	-
Present value of finance lease obligations	13,799	12,416	4,210	-

The present value of the lease obligations is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	3,817	2,828	681	-
Later than 1 year and not later than 5 years	9,982	9,588	3,529	-
	13,799	12,416	4,210	-

The leases are secured by certain motor vehicles owned by the group.

25. Other Liabilities

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Promissory note – managed funds	27,880	30,163	27,880	30,163
Other liabilities and accrued expenses	182,751	160,577	46,833	34,417
Trade payables	11,180	19,748	-	-
Accounts payable	22,210	20,258	22,207	19,258
	244,021	230,746	96,920	83,838

The current portion of other liabilities amounted to \$240,083,000 (2011 - \$230,746,000) for the group and \$95,287,000 (2011 - \$83,838,000) for the company.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

26. Share Capital

	2012	2011
	No.	No.
	'000	'000
Authorised share capital of no par value -		
Ordinary shares	250,000	250,000
	<u>250,000</u>	<u>250,000</u>
	\$'000	\$'000
Issued and fully paid -		
213,231,793 stock units	2,141,985	2,141,985
	<u>2,141,985</u>	<u>2,141,985</u>

In 2011, the company issued 39,696,715 stock units to the former stockholders of First Jamaica Investments Limited (FJIL) pursuant to a scheme of amalgamation with the company whereby all the assets and liabilities of FJIL were transferred to and vested with the company.

The value attributed to the shares issued was determined by reference to the value, on the date of the Extraordinary General Meeting when the amalgamation was approved, of the First Jamaica Investments Limited shares which were cancelled. Costs associated with transaction have been deducted from the amount, so determined.

27. Share Options/Equity Compensation Reserve

During 2011, options over 3,062,500 common shares, representing all outstanding options granted under the 2006 Executive Share Option Scheme, were exercised at a price of \$45.00 per stock unit by 3 executives of the company. In 2011, the group and the company recognised share-based compensation of \$2,503,000 and \$460,000, respectively, using 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.

28. Property Revaluation Reserve

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

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

29. Investment and Other Reserves

These comprise:

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Fair value gains/(losses) on investments	10,348	70,840	(28,186)	22,824
Capital reserves	2,598,182	2,555,038	1,337,983	1,337,983
Capital redemption reserves	2,176	2,176	2,200	2,200
Share of other comprehensive income of associated companies	1,010,531	853,023	-	-
	<u>3,621,237</u>	<u>3,481,077</u>	<u>1,311,997</u>	<u>1,363,007</u>
Capital reserves				
Realised gain on sale of ESPP shares	100,090	100,090	-	-
Realised gain on sale of insurance operations	1,161,344	1,161,344	2,688,484	2,688,484
Realised gain on dilution of holding in subsidiaries and associates	433,516	433,516	-	-
Reserve arising on acquisition of non –controlling interest	623,267	623,267	(1,493,255)	(1,493,255)
Other	279,965	236,821	142,754	142,754
	<u>2,598,182</u>	<u>2,555,038</u>	<u>1,337,983</u>	<u>1,337,983</u>

Fair value gains on investments for the group are shown net of deferred taxes of \$3,896,000 (2011 – deferred tax \$551,000) with respect to revaluation adjustments to investments.

30. Dividends

	2012	2011
	\$'000	\$'000
First interim dividend for 2012 at \$0.50 (2011 - \$0.32) per stock unit - gross	106,616	55,531
Second interim dividend for 2012 at \$0.50 (2011 - \$0.32) per stock unit – gross	106,616	55,531
Third interim dividend for 2012 at \$0.50 (2011 - \$0.40) per stock unit – gross	106,616	85,293
Fourth interim dividend for 2012 at \$0.55 (2011 - \$0.50 including special dividend of \$0.10) per stock unit - gross	117,278	106,616
	<u>437,126</u>	<u>302,971</u>
Less: Dividends on treasury stock	(257)	(2,762)
	<u>436,869</u>	<u>300,209</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

31. Cash Flows from Operating Activities

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Net profit	2,107,339	1,975,560	510,670	1,161,085
Adjustments to reconcile net profit to cash flows provided by operating activities:				
Depreciation of property, plant and equipment	23,629	14,055	6,296	4,224
Stock compensation provision	-	2,503	-	460
Interest income	(107,287)	(150,146)	(125,974)	(210,017)
Finance costs	186,706	87,738	117,732	61,536
Share of results of associated companies	(1,657,351)	(1,371,743)	-	-
Share of results of joint venture	(37,337)	(18,035)	-	-
Income tax expense	123,119	135,578	35,842	13,920
Bad debts	9,710	-	90,921	-
Change in retirement benefit asset/obligation	(2,082)	9,013	(11,974)	2,957
Fair value gains on investment properties	(152,800)	(299,669)	-	-
(Gains)/losses on foreign currency denominated investment	(52,035)	(11,335)	(32,717)	5,217
Impairment of investment assets	8,546	14,564	8,546	14,564
Unrealised gains on financial assets at fair value through profit and loss	(305)	(35,617)	-	(3,030)
	449,852	352,466	599,342	1,048,978
Changes in operating assets and liabilities:				
Taxation recoverable	(3,892)	(16,934)	(4,587)	(26,165)
Other assets, net	(13,954)	9,059	38,381	(135,621)
Other liabilities, net	14,906	11,063	13,081	(6,408)
	446,912	355,654	646,217	880,784
Interest received	89,384	146,573	120,850	218,138
Income tax paid	(113,169)	(85,716)	-	(34,871)
Net cash provided by operating activities	423,127	416,511	767,067	1,064,051

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

32. Commitments

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

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Not later than 1 year	353,641	291,374	-	-
Later than 1 year and not later than 5 years	882,576	617,137	-	-
Later than 5 years	145,434	130,968	-	-
	<u>1,381,651</u>	<u>1,039,479</u>	<u>-</u>	<u>-</u>

33. Financial Risk Management

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

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

In February 2013, the group and company participated in the National Debt Exchange (NDX) 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 NDX transaction resulted in a reduction in yields and an increase in the tenor of locally issued Government of Jamaica securities. The NDX did not have a significant impact on financial risks on entities which hold such instruments.

(a) Market risk

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

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

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

(i) Currency risk

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

33. 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				
	2012				
	Jamaican \$	US\$	CAD\$	BD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Financial assets					
Cash and bank balances	32,185	9,536	-	-	41,721
Deposits	2,175	798,827	95,090		896,092
Investment securities	98,852	844,153	-	121,198	1,064,193
Securities purchased under agreements to resell	97,929	764,828	-	-	862,757
Trade and other receivables	144,236	47,314	-	-	191,550
Total financial assets	375,377	2,464,648	95,090	121,198	3,056,313
Financial liabilities					
Loan liabilities	2,634,203	1,578,523	-	-	4,212,726
Finance lease liability	13,799	-	-	-	13,799
Other liabilities	180,557	63,464	-	-	244,021
Total financial liabilities	2,828,559	1,641,987	-	-	4,470,546
Net position	(2,453,182)	822,551	95,090	121,198	(1,414,233)

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Group			
	2011			
	Jamaican \$	US\$	BD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Financial assets				
Cash and bank balances	11,922	4,159	-	16,081
Deposits	2,015	174,923	-	176,938
Investment securities	460,159	1,143,760	129,097	1,733,016
Securities purchased under agreements to resell	309,559	284,314	-	593,873
Trade and other receivables	281,386	9,541	-	290,927
Total financial assets	1,064,041	1,616,697	129,097	2,810,835
Financial liabilities				
Bank overdraft	9,499	-	-	9,499
Due to related parties	5,225	-	-	5,225
Loan liabilities	88,216	443,998	-	532,214
Finance lease liability	12,416	-	-	12,416
Other liabilities	174,585	56,161	-	230,746
Total financial liabilities	289,941	500,159	-	790,100
Net position	775,100	1,116,538	129,097	2,020,735

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Company			
	2012			
	Jamaican \$	US\$	BD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Financial assets				
Cash and bank balances	13,018	5,606		18,624
Deposits	-	734,068		734,068
Investment securities	301,555	658,439	121,198	1,081,192
Securities purchased under agreements to resell	39,137	486,862	-	525,999
Due from related parties	31,727	31,852	-	63,579
Receivables	47,924	-	-	47,924
Total financial assets	433,361	1,916,827	121,308	2,471,386
Financial liabilities				
Due to related parties	215,177	2,234	-	217,411
Loan liabilities	2,563,235	1,153,826	-	3,717,061
Finance lease liability	4,210	-	-	4,210
Other liabilities	95,816	1,104	-	96,920
Total financial liabilities	2,878,438	1,157,164	-	4,035,602
Net position	(2,445,077)	759,553	121,308	(1,564,216)

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Concentration of currency risk (continued)

	The Company			
	2011			
	Jamaican \$	US\$	BD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000
Financial assets				
Cash and bank balances	4,036	551	-	4,587
Deposit	-	114,122	-	114,123
Investment securities	455,072	714,167	129,097	1,298,336
Securities purchased under agreements to resell	135,401	106,379	-	241,780
Due from related parties	257,850	90,718	-	348,568
Receivables	168,984	-	-	168,984
Total financial assets	1,021,343	1,025,936	129,097	2,176,378
Financial liabilities				
Due to related parties	156,244	2,285	-	158,529
Loan liabilities	8,267	-	-	8,267
Other liabilities	81,296	2,542	-	83,838
Total financial liabilities	245,807	4,827	-	250,634
Net position	775,536	1,021,109	129,097	1,925,744

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currencies to which the group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% increase and 1% decrease (2011 - 1% 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 and foreign exchange losses/gains on translation of US dollar-denominated borrowings. The sensitivity of other components of equity was as result of translation gains/losses on foreign currency denominated equities classified as available-for-sale.

The Group						
	% Change in Currency Rate	Effect on Profit before Tax	Effect on other Components of Equity	% Change in Currency Rate	Effect on Profit before Tax	Effect on other Components of Equity
	2012	2012	2012	2011	2011	2011
		\$'000	\$'000		\$'000	\$'000
Currency:						
USD	10%	33,357	48,909	1%	6,899	4,267
USD	-1%	(3,336)	(4,891)	-1%	(6,899)	(4,267)
BD	10%	-	12,120	1%	-	1,291
BD	-1%	-	(1,212)	-1%	-	(1,291)
CAD	10%	9,509	-	1%	-	-
CAD	-1%	(951)	-	-1%	-	-

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company						
	% Change in Currency Rate 2012	Effect on Profit before Tax 2012 \$'000	Effect on other Components of Equity 2012 \$'000	% Change in Currency Rate 2011	Effect on Profit before Tax 2011 \$'000	Effect on other Components of Equity 2011 \$'000
Currency:						
USD	10%	41,411	34,555	1%	6,638	3,573
USD	-1%	(4,141)	(3,456)	-1%	(6,638)	(3,573)
BD	10%	-	12,120	1%	-	1,291
BD	-1%	-	(1,212)	-1%	-	(1,291)

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk

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

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

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

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

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
	At 31 December 2012:						
Financial assets							
Cash and bank balances	41,721	-	-	-	-	-	41,721
Deposits	801,002	-	-	95,090	-	-	896,092
Investment securities Securities purchased under agreements to resell	141,563 771,738	1,260 88,475	- 2,544	187,840 -	146,754 -	586,776 -	1,064,193 862,757
Trade and other receivables	28,064	-	-	-	-	163,486	191,550
Total financial assets	1,784,088	89,735	2,544	282,930	146,754	750,262	3,056,313
Financial liabilities							
Loan liabilities	1,254,399	49,311	-	1,340,402	1,568,614	-	4,212,726
Finance lease liability	-	-	-	13,799	-	-	13,799
Other liabilities	27,880	201	-	-	-	215,940	244,021
Total financial liabilities	1,282,279	49,512	-	1,354,201	1,568,614	215,940	4,470,546
Total interest repricing gap	501,809	40,223	2,544	(1,071,271)	(1,421,860)	534,322	(1,414,233)
Cumulative interest repricing gap							
	501,809	542,032	544,695	(526,695)	(1,948,555)	(1,414,233)	

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
At 31 December 2011:							
Financial assets							
Cash and bank balances	16,081	-	-	-	-	-	16,081
Deposits	174,923	-	2,015	-	-	-	176,938
Investment securities	78,884	26,844	85,059	152,709	550,221	839,299	1,733,016
Securities purchased under agreements to resell	351,966	60,599	180,810	498	-	-	593,873
Trade and other receivables	29,969	-	-	-	-	260,958	290,927
Total financial assets	651,823	87,443	267,884	153,207	550,221	1,100,257	2,810,835
Financial liabilities							
Bank overdraft	9,499	-	-	-	-	-	9,499
Due to related parties	-	-	-	-	-	5,225	5,225
Loan liabilities	-	-	-	17,855	514,359	-	532,214
Finance lease liability	-	-	-	12,416	-	-	12,416
Other liabilities	32,705	-	-	-	-	198,041	230,746
Total financial liabilities	42,204	-	-	30,271	514,359	203,266	790,100
Total interest repricing gap	609,619	87,443	267,884	122,936	35,862	896,991	2,020,735
Cumulative interest repricing gap	609,619	697,062	964,946	1,087,882	1,123,744	2,020,735	

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	
	At 31 December 2012:						
Financial assets							
Cash and bank balances	18,624	-	-	-	-	-	18,624
Deposits	734,068	-	-	-	-	-	734,068
Investment securities	141,563	-	-	454,958	-	484,671	1,081,192
Securities purchased under agreements to resell	521,655	3,775	569	-	-	-	525,999
Due from related parties	-	-	16,956	-	-	46,623	63,579
Receivables	28,064	-	-	-	-	19,860	47,924
Total financial assets	1,443,974	3,775	17,525	454,958	-	551,154	2,471,386
Financial liabilities							
Due to related parties	-	-	60,192	-	-	157,219	217,411
Loan liabilities	1,232,452	-	-	1,332,736	1,151,873	-	3,717,061
Finance lease liabilities	-	-	-	4,210	-	-	4,210
Other liabilities	27,880	-	-	-	-	69,040	96,920
Total financial liabilities	1,260,332	-	60,192	1,336,946	1,151,873	226,259	4,035,602
Total interest repricing gap	183,642	3,775	(42,667)	(881,988)	(1,151,873)	324,895	(1,564,216)
Cumulative interest repricing gap	183,642	187,417	144,750	(737,238)	(1,889,111)	(1,564,216)	

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	
At 31 December 2011:							
Financial assets							
Cash and bank balances	4,587	-	-	-	-	-	4,587
Deposit	114,123	-	-	-	-	-	114,123
Investment securities	66,324	20,061	74,521	87,788	470,662	578,980	1,298,336
Securities purchased under agreements to resell	241,780	-	-	-	-	-	241,780
Due from related parties	-	-	79,010	-	-	269,558	348,568
Receivables	-	29,969	-	-	-	139,015	168,984
Total financial assets	426,814	50,030	153,531	87,788	470,662	987,553	2,176,378
Financial liabilities							
Due to related parties	2,285	-	-	-	-	156,244	158,529
Loan liabilities	-	-	-	8,267	-	-	8,267
Other liabilities	32,705	-	-	-	-	51,133	83,838
Total financial liabilities	34,990	-	-	8,267	-	207,377	250,634
Total interest repricing gap	391,824	50,030	153,531	79,521	470,662	780,176	1,925,744
Cumulative interest repricing gap	391,824	441,854	595,385	674,906	1,145,568	1,925,744	

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, 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 2012	Effect on Other Components of Equity 2012	Effect on Profit before Taxation 2012	Effect on Other Components of Equity 2012
		\$'000	\$'000	\$'000	\$'000
Change in basis points:					
2012	2012				
JA\$	US\$				
+400	+250	(25,496)	(30,170)	(32,536)	(16,194)
-100	-50	7,325	8,024	8,742	3,128

		The Group		The Company	
		Effect on Profit before Taxation 2011	Effect on Other Components of Equity 2011	Effect on Profit before Taxation 2011	Effect on Other Components of Equity 2011
		\$'000	\$'000	\$'000	\$'000
Change in basis points:					
2011	2011				
JA\$	US\$				
+100	+50	3,945	(13,945)	1,880	(5,885)
- 50	-50	(2,683)	12,767	(1,249)	5,170

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(a) Market risk (continued)

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The group and company are exposed to equity price risk because of investments held by the group and company classified on the respective statements of financial position either 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 on total stockholders' equity (before tax) of a 10% increase/decrease in equity prices is an increase/decrease of \$58,677,000 and \$48,467,000 (2011 – \$83,299,000 and \$57,898,000) 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.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

Maximum exposure to credit risk

	Maximum exposure			
	The Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Credit risk exposures relating to on statement of financial position items are as follows:				
Assets:				
Cash and bank balances	41,721	16,081	18,624	4,587
Deposits	896,092	176,938	734,068	114,123
Available-for-sale securities	335,854	886,409	139,171	405,172
Loans and receivables	141,563	7,309	457,350	314,185
Securities purchased under agreements to resell	862,757	593,875	525,999	241,780
Trade and other receivables	191,550	290,927	47,924	168,984
Due from related parties	-	-	63,579	348,568
	<u>2,469,557</u>	<u>1,971,539</u>	<u>1,986,715</u>	<u>1,597,399</u>
Credit risk exposures relating to assets not recorded on the statement of financial position				
Lease commitments	<u>1,381,651</u>	<u>1,039,479</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 2012 and 2011, 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 and the company for the year ended 31 December 2012 for \$8,546,000 (2011 - \$14,564,000) for certain investment securities.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Trade and managed properties receivables

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Commercial	38,728	57,520	-	-
Retail	17,842	8,585	-	-
Managed properties	15,436	27,093	-	-
	72,006	93,198	-	-
Less: Provision for credit losses	(7,255)	(3,359)	-	-
	64,751	89,839	-	-

Credit quality of trade receivables are summarised as follows:

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Neither past due nor impaired -				
Standard	51,867	56,928	-	-
Past due but not impaired	12,884	32,911	-	-
Impaired	7,255	3,359	-	-
Gross	72,006	93,198	-	-
Less: Provision for credit losses	(7,255)	(3,359)	-	-
Net	64,751	89,839	-	-

All trade receivables are receivable from customers in Jamaica.

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
31 to 60 days	5,140	24,217	-	-
61 to 90 days	765	1,566	-	-
Over 90 days	6,979	7,128	-	-
	<u>12,884</u>	<u>32,911</u>	<u>-</u>	<u>-</u>

The amounts above include managed properties fees receivables of \$15,436,000 (2011 - \$27,093,000) (Note 19). 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 and related parties debt):

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Government of Jamaica	105,272	574,999	4,511	198,387
Corporate and other government	1,989,431	1,089,530	1,394,726	562,688
	<u>2,094,703</u>	<u>1,664,529</u>	<u>1,399,237</u>	<u>761,075</u>

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(c) Liquidity risk

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

Liquidity risk management process

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

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

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows

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

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
As at 31 December 2012							
Financial assets							
Cash and bank balances	41,721	-	-	-	-	-	41,721
Deposits	801,326	4,607	4,607	101,365	-	-	911,905
Investment securities	9,239	7,590	24,325	346,559	292,258	586,776	1,266,747
Securities purchase under agreements to resell	773,791	88,408	1,753	-	-	-	863,952
Trade and other receivables	113,129	78,562	-	-	-	-	191,691
Total financial assets (contractual maturity dates)	1,739,206	179,167	30,685	447,924	292,258	586,776	3,276,016
Financial liabilities							
Loans	163,978	13,377	286,511	4,317,075	517,203	-	5,298,244
Finance leases liability	476	952	4,282	11,398	-	-	17,108
Other liabilities	98,896	145,239	-	-	-	-	244,135
Total financial liabilities (contractual maturity date)	263,350	159,668	290,793	4,328,473	517,203	-	5,559,487
Net Liquidity Gap	1,483,732	19,499	(260,108)	(3,880,549)	(224,945)	586,776	(2,275,595)
Cumulative Liquidity Gap	1,483,732	1,503,231	1,243,123	(2,637,426)	(2,862,371)	(2,275,595)	

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	No Specific Maturity \$'000	
As at 31 December 2011							
Financial assets							
Cash and bank balances	16,081	-	-	-	-	-	16,081
Deposits	174,973	-	2,096	-	-	-	177,069
Investment securities	84,580	125,446	83,873	468,177	537,262	839,299	2,138,637
Securities purchase under agreements to resell	352,257	7,682	234,876	498	-	-	595,313
Trade and other receivables	70,143	79,626	2,293	-	-	139,015	291,077
Total financial assets (contractual maturity dates)	698,034	212,754	323,138	468,675	537,262	978,314	3,218,177
Financial liabilities							
Bank overdraft	9,610	-	-	-	-	-	9,610
Due to related parties	-	-	-	-	5,225	-	5,225
Loans	43,491	3,949	57,738	350,606	249,764	-	705,548
Finance leases liability	376	752	3,382	11,610	-	-	16,120
Other liabilities	125,465	101,326	4,082	-	-	-	230,873
Total financial liabilities (contractual maturity date)	178,942	106,027	65,202	362,216	254,989	-	967,376
Net Liquidity Gap	519,092	106,727	257,934	106,459	282,273	978,314	2,250,801
Cumulative Liquidity Gap	519,092	625,819	883,755	990,214	1,272,487	2,250,801	-

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. 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	
As at 31 December 2012:							
Assets							
Cash and bank balances	18,624	-	-	-	-	-	18,624
Deposits	734,374	-	-	-	-	-	734,374
Investment securities	15,034	12,125	71,466	858,679	131,456	484,671	1,531,431
Securities purchased under agreements to resell	522,264	3,463	590	-	-	-	526,317
Due from related parties	16,956	-	-	-	-	46,623	63,579
Receivables	30,309	17,756	-	-	-	-	48,065
Total financial assets (contractual maturity dates)	1,337,561	33,344	72,056	858,679	131,456	531,294	2,964,390
Liabilities							
Due to related parties	-	-	62,237	-	-	157,219	220,456
Loans	119,806	666	230,536	3,948,531	374,039	-	4,673,578
Finance lease liability	100	200	900	4,300	-	-	5,500
Other liabilities	34,629	62,408	-	-	-	-	97,037
Total financial liabilities (contractual maturity dates)	154,535	63,274	294,673	3,952,831	374,039	157,219	4,996,571
Net Liquidity Gap	1,183,026	(29,930)	(222,617)	(3,094,152)	(242,583)	374,075	(2,032,181)
Cumulative Liquidity Gap	1,183,026	(1,153,096)	930,479	(2,163,673)	(2,406,256)	(2,032,181)	

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. 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	
As at 31 December 2011:							
Assets							
Cash and bank balances	4,587	-	-	-	-	-	4,587
Deposits	114,171	-	-	-	-	-	114,171
Investment securities	80,988	120,425	100,121	919,824	216,034	578,980	2,016,372
Securities purchased under agreements to resell	242,008	-	-	-	-	-	242,008
Due from related parties	-	2,300	8,516	86,911	-	269,558	367,285
Receivables	-	30,119	-	-	-	139,015	169,134
Total financial assets (contractual maturity dates)	441,754	152,844	108,637	1,006,735	216,034	987,553	2,913,557
Liabilities							
Due to related parties	-	-	-	-	-	158,529	158,529
Loans	333	666	2,997	5,994	-	-	9,990
Finance lease	-	-	-	-	-	-	-
Other liabilities	53,089	30,875	-	-	-	-	83,964
Total financial liabilities (contractual maturity dates)	53,422	31,541	2,997	5,994	-	158,529	252,483
Net Liquidity Gap	388,332	121,304	105,640	1,000,741	216,034	829,024	2,661,074
Cumulative Liquidity Gap	388,332	509,635	615,275	1,616,016	1,832,050	2,661,074	

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

33. Financial Risk Management (Continued)

(d) Capital management

The group's objectives when managing capital are to provide superior returns for stockholders and benefits for other stakeholders, while maintaining a conservative capital structure. The Board of Directors monitors the return on 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 employee 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.

34. Fair Value of Financial Instruments

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

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

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

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

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

34. Fair Value of Financial Instruments (Continued)

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

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2012	2012	2011	2011
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Investment in associated companies	12,922,232	13,159,630	8,209,062	9,752,914
Loans and receivables	141,563	138,185	7,309	7,736

	The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2012	2012	2011	2011
	\$'000	\$'000	\$'000	\$'000
Investment in associated companies	7,303,601	13,159,630	3,790,418	9,752,914
Loans and receivables	457,350	489,306	314,185	352,323

	The Group			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2012	2012	2011	2011
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities				
Loan liabilities	4,212,726	4,052,956	532,214	532,770
Finance lease liability	13,799	17,108	12,416	16,118

	The Company			
	Carrying Value	Fair Value	Carrying Value	Fair Value
	2012	2012	2011	2011
	\$'000	\$'000	\$'000	\$'000
Loan liabilities	3,717,061	3,559,393	8,267	9,990
Finance lease liability	4,210	5,500	-	-

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

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

34. Fair Value of Financial Instruments (Continued)

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

- (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:

	The Group			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
As at 31 December 2012				
Financial assets				
Investment securities	459,359	335,853	127,418	922,630
As at 31 December 2011				
Financial assets				
Investment securities	687,368	760,595	277,744	1,725,707
The Company				
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
As at 31 December 2012				
Financial assets				
Investment securities	357,253	139,171	127,418	623,842
As at 31 December 2011				
Financial assets				
Investment securities	417,049	291,918	275,184	984,151

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

34. 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.

35. Litigation and Contingent Liabilities

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

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

Notes to the Financial Statements (Continued)

Year ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

36. Subsequent Event

In February 2013, the group participated in the National Debt Exchange (NDX) transaction under which it exchanged its holdings of domestic debt instruments issued by the Government of Jamaica for new, longer-dated debt instruments with lower coupon interest rates.

The key features of the NDX are as follows:

- Jamaican-resident holders of certain domestic debt instruments (collectively referred to as the “Old Notes”) were invited to exchange those Old Notes for new, longer-dated debt instruments (collectively referred to as the “New Notes”). Participation in the NDX was voluntary.
- The New Notes offered have a variety of payment terms, including but not limited to fixed and variable rates in J\$, CPI-indexed in J\$, and fixed rates in USD.
- Eligible investors had the option to choose New Notes based on the type and maturity of the Old Notes which are offered for exchange based on certain election options. The election options only allow investors to choose New Notes of longer tenor relative to Old Notes. Most New Notes have lower coupon interest rates than Old Notes.
- Introduction of new Fixed Rate Accreting Notes (“FRANs”) which were issued with J\$80 of principal value for every J\$100 of principal value of Old Notes, whereby such principal will accrete to J\$100 of principal value by the maturity date in 2028.
- Eligible investors who made offers to the Government of Jamaica to exchange Old Notes received an equivalent principal value (par-for-par value) of New Notes and the payment in cash of accrued interest, net of applicable withholding taxes, on the Old Notes up to but excluding 22 February 2013 (the Settlement Date).

The NDX is not expected to have a significant impact on the expected future cash flows from the group's investment portfolio.

There was no impact on the company standing alone.

Additionally, as discussed in note 11 (b), in February 2013 the government announced its intention to introduce a surtax on the profits of entities, generating revenues in excess of \$500,000,000 per annum. Once enacted, the surtax may be applicable to certain companies in the group, and could impact their effective tax rates.



Directors' Stockholdings

as at December 31, 2012

Directors' and Connected Parties Stockholdings

	Personal Stockholdings	Stockholding in which Director or Officer has an interest
Richard O. Byles	901,893	Nil
Christopher N. Barnes	Nil	Nil
Maurice W. Facey	143,256	85,743,582
Stephen B. Facey	6,073,472	79,813,366
Paul A. B. Facey	3,519,643	82,367,195
Kathleen A. J. Moss	10,000	Nil
Ian S. C. Parsard	Nil	Nil
Donovan H. Perkins	68,895	1,770
T. Matthew W. Pragnell	Nil	Nil

Stockholdings of Senior Management

Stephen B. Facey	6,073,472	79,813,366
Paul A. B. Facey	3,519,643	82,367,195
Paul R. Hanworth	514,200	Nil

Substantial Interest

	Amount	Holding Percentage
1 Boswell Investments Limited	44,670,380*	20.9%
2 Sagicor Pooled Equity Fund	23,544,861	11.0%
3 Orange Hall Estates Limited	17,163,959*	8.0%
4 National Insurance Fund	14,216,334	6.7%
5 Scotia Jamaica Investment Mgmt. A/C 3119	8,096,204	3.8%
6 Facey, Stephen and Wendy	6,073,472	2.8%
7 Inv. Nominees Ltd A/C Las Henriques et al	4,205,153	2.0%
8 Guardian Life Limited	4,136,759	2.0%
9 Caenwood Securities Limited	4,024,570*	2.0%
10 Facey, Paul	3,519,643	1.6%
Others	83,582,643	39.2%

Total stocks in issue – 213,231,978

Total no. of stockholders – 3,237

*Connected Parties

PROXY FORM



I/We _____

of _____

being a Member(s) of PAN-JAMAICAN INVESTMENT TRUST LIMITED hereby appoint

_____ of _____

or failing him/her _____

of _____

as my/our Proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the said Company to be held on Thursday, 30 May 2013 at 2:30p.m. at 12th Floor, 60 Knutsford Boulevard, Kingston 5.

SIGNED this _____ day of _____ 2013

Signature _____

(If executed by a Corporation, the Proxy should be sealed)

Resolutions	For	Against
1		
2		
3 (i)a		
3 (i)b		
3 (i)c		
3(ii)d		
3(ii)e		
4		
5		
6		

Place \$100
Stamp Here

N.B. the instrument appointing proxy must be produced at the meeting or adjourned meeting at which it is to be used, and in default not to be treated as valid. The Proxy Form must be lodged at the Company's Registered Office not later than forty-eight hours before the meeting.