

PAN-JAMAICAN  
INVESTMENT TRUST LIMITED



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\$23,310m

**Total assets**  
(2012: \$21,467m)

\$17,841m

**Stockholders' equity**  
(2012: \$16,425m)

\$2,491m

**Net profit attributable to owners of the parent**  
(2012: \$2,087m)

# Financial Highlights

**\$84.95**

**Net worth per  
stock unit**  
(2012: \$77.08)

**\$11.74**

**Earnings per  
stock unit**  
(2012: \$9.79)

**\$2.05**

**Dividend per  
stock unit**  
(2012: \$2.05)



	<b>2013</b>	<b>Restated 2012</b>	<b>Restated 2011</b>	<b>2010</b>
<b>SELECTED FINANCIAL DATA (\$'000)</b>				
Total assets	23,310,321	21,467,506	15,924,714	15,150,894
Investments & other earning assets	21,868,656	20,388,802	15,018,050	14,444,334
Stockholders' equity (net worth)	17,840,566	16,424,856	14,625,583	10,616,871
Profit before tax	2,624,156	2,231,797	2,111,138	1,823,666
Net profit attributable to equity holders	2,491,106	2,086,930	1,758,990	1,244,498
Dividends paid, gross	437,126	437,126	302,971	249,891
Retained earnings	9,717,955	7,968,949	6,492,920	5,274,449
<b>FINANCIAL RATIOS</b>				
Net worth per stock unit	\$84.95	\$77.08	\$68.63	\$61.98
Earnings per stock unit (basic)	\$11.74	\$9.79	\$9.37	\$7.27
Price earnings ratio	4.6	5.9	6.4	6.5
Dividends paid per stock unit	\$2.050	\$2.050	\$1.540	\$1.440
Dividend payout ratio (%)	17.5%	20.9%	16.4%	20.1%
Weighted average number of stock units	212,213	213,102	187,704	171,299
Return on average equity pre-tax (%)	15.3%	14.4%	16.7%	18.7%
Return on average equity (%)	14.5%	13.4%	13.9%	12.7%
Return on opening equity	15.2%	14.3%	16.6%	13.9%
Change in stockholders equity	8.6%	12.3%	37.8%	18.8%
<b>OTHER DATA</b>				
Stock price at year end (\$)	\$54.75	\$57.50	\$60.01	\$47.00
Price change from last year (%)	-4.8%	-4.2%	27.7%	35.4%
JSE market index at year end	80,634	92,101	95,297	85,221
Change in JSE Index (%)	-12.5%	-3.4%	11.8%	2.3%
Exchange rate J\$: US\$	\$105.72	\$92.15	\$86.14	\$85.34
Annual Inflation rate (%)	9.7%	8.0%	6.1%	11.7%



# 10-Year Statistical Review

2009	2008	2007	2006	2005	2004
12,923,242	11,118,756	10,592,615	10,528,927	9,363,841	9,176,238
12,466,393	10,546,567	9,961,823	9,811,108	8,839,199	7,887,336
8,933,605	7,430,746	7,095,698	6,991,015	6,102,785	4,187,953
2,115,020	1,699,803	1,500,745	1,249,431	2,941,325	1,013,138
1,395,677	1,142,247	991,109	822,592	2,043,572	1,196,955
236,008	173,536	806,938	164,865	168,528	129,235
4,525,910	3,586,705	2,862,865	4,195,662	3,695,940	3,182,081
\$52.15	\$43.38	\$41.42	\$40.81	\$35.63	\$24.23
\$8.15	\$6.67	\$5.79	\$4.80	\$11.93	\$7.01
4.3	3.7	8.6	11.8	4.6	7.7
\$1.360	\$1.000	\$4.650	\$0.950	\$0.973	\$0.747
16.9%	15.2%	81.4%	20.0%	8.2%	10.8%
171,299	171,299	171,299	171,299	171,289	170,796
25.8%	23.4%	21.3%	19.1%	57.2%	28.2%
17.1%	15.7%	14.1%	12.6%	39.7%	33.4%
18.8%	16.1%	14.2%	13.5%	48.8%	40.0%
20.2%	4.7%	1.5%	14.6%	45.7%	40.1%
\$34.70	\$24.98	\$49.50	\$56.50	\$55.00	\$53.00
38.9%	-49.5%	-12.4%	2.7%	3.8%	183.3%
83,322	80,152	107,968	100,678	102,445	104,001
4.0%	-25.8%	7.2%	-1.7%	-1.5%	72.5%
\$89.06	\$79.96	\$70.18	\$66.92	\$64.10	\$61.73
10.2%	16.8%	16.8%	5.8%	15.9%	11.6%

## Notice of Annual General Meeting

Notice is hereby given that the Fiftieth Annual General Meeting of Pan-Jamaican Investment Trust Limited will be held at 12th Floor, 60 Knutsford Boulevard, Kingston 5 on Thursday 29 May 2014, at 2:30 p.m. for the following purposes:

**1. To receive the Audited Financial Statements for the year ended December 31, 2013, 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 December 31, 2013 together with the Reports of the Directors and the Auditors thereon be and are hereby adopted."

**2. To approve the Dividend paid as final**

To declare the interim dividends of \$2.05 paid during the year, as final dividend for the year ended December 31, 2013. To consider and (if thought fit) pass the following Resolution: "THAT the interim dividends of \$1.10 paid March 25, 2013, 45 cents paid September 20, 2013, and 50 cents paid December 20, 2013, making a total of \$2.05 be declared as final dividend for the year ended December 31, 2013."

**3. To elect Directors**

(i) The Directors retiring by rotation pursuant to Article 89 of the Articles of Incorporation are Messrs. Paul A.B. Facey, Ian Parsard and Matthew Pragnell, who being eligible offer themselves for re-election. To consider and (if thought fit) pass the following Resolutions:

- (a) "THAT the retiring Director Mr. Paul A. B. Facey be re-elected a Director of the Company."
- (b) "THAT the retiring Director Mr. Ian S. C. Parsard be re-elected a Director of the Company."
- (c) "THAT the retiring Director Mr. T. Matthew W. Pragnell be re-elected a Director of the Company."

(ii) Pursuant to Article 95 of the Articles of Incorporation Mr. Paul

R. Hanworth was appointed to the Board of Directors since the last Annual General Meeting, and will retire at this Annual General Meeting. Being eligible he offers himself for election.

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

- (d) "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 \$13,410,000 shown in the Accounts for the year ended December 31, 2013 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:

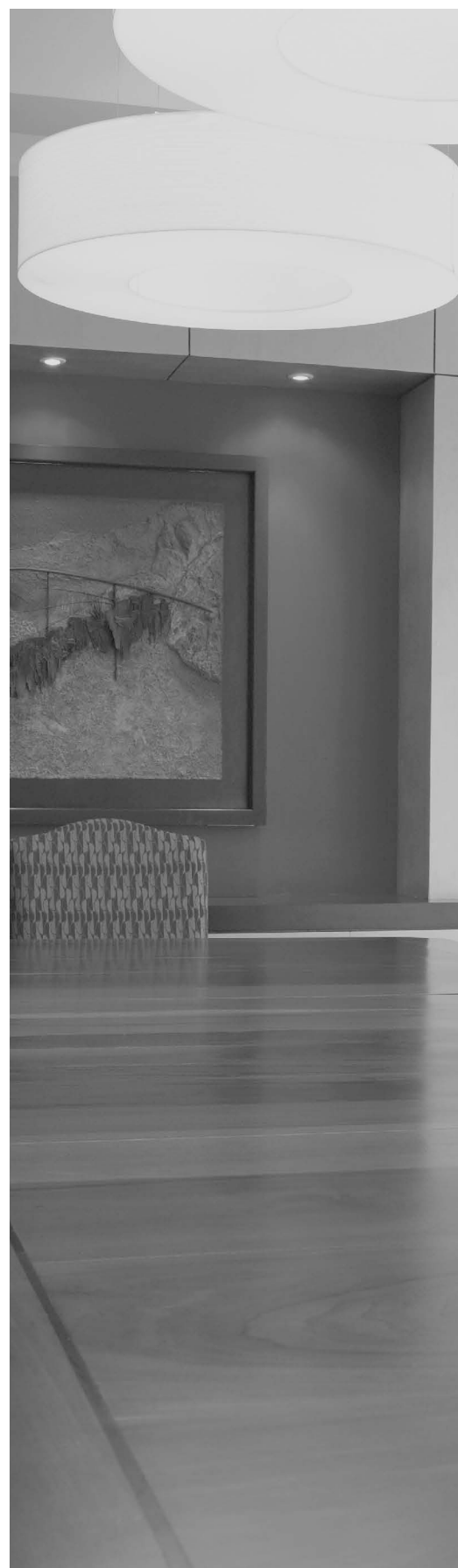
"THAT the remuneration of the Auditors, PricewaterhouseCoopers, who have signified their willingness to continue in office, be fixed by the Directors."

By order of the Board



Gene M. Douglas  
Secretary  
Kingston, Jamaica  
21 March 2014

*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, 2013.

	<b>\$'000</b>
The Group profit before taxation was	2,624,156
Taxation amounted to	(100,131)
Making group profit after taxation	2,524,025
The share of non-controlling interests in the results of subsidiaries was	32,919
Making the profit attributable to stockholders	2,491,106
To be added to retained earnings brought forward from last year	7,968,949
Making a total of	10,460,055
Dividends paid	(435,248)
And there were adjustments to retained earnings in respect of transfer to property revaluation reserves	(247,581)
Post-employment benefit obligations, net of taxation	(59,271)
Leaving retained earnings to be carried forward to the next year of	9,717,955

### Dividends

The Directors have recommended that the interim dividends paid to stockholders on March 25, 2013, September 20, 2013 and December 20, 2013 be declared as final dividend for the year ended December 31, 2013.

### Directors

The Directors retiring by rotation pursuant to Article 89 of the Articles of Incorporation are Messrs. Paul A. B. Facey, Ian S. C. Parsard and T. Matthew W. Pragnell who being eligible offer themselves for re-election.

Pursuant to Article 95 of the Articles of Incorporation, Mr. Paul R. Hanworth who was appointed since the last Board Meeting will retire at this Annual General Meeting and being eligible offers himself for election.

At the end of December 2013, the Board of Directors comprised:  
Stephen B. Facey, M. Arch –  
Chairman & Chief Executive Officer

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

### 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  
21 March 2014

## Board of Directors:

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

Christopher N. Barnes BSc. MBA

Richard O. Byles, MSc.

Paul A. B. Facey, MBA.

Paul R. Hanworth, MA., ACA., CPA

Kathleen A. J. Moss, BSc.(Mgt.), 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.  
*Chairman & Chief Executive Officer*

Paul R. Hanworth, MA., ACA., CPA.  
*Chief Operating Officer*

Paul A. B. Facey MBA.  
*Vice President - Investments*

Camelia M. Nelson, FCA., FCCA., MBA  
*Group Financial Controller*

Claudette A. Ashman Ivey, FCA., FCCA., CTP.  
*Group Treasury Manager*

## Subsidiary

Steve A. Sherman, BSc.(Civil Eng.)  
*General Manager*

Marcia E. Osborne, BSc., MSc. (HRM)  
*Human Resource Manager*

Odel Johnson, BSc., FCCA.  
*Financial Controller*

Sonia T. Sykes, BSc.(Econ. & Mgt.)  
*Marketing Manager*

Sam C. Cooper, BBA  
*Development Manager*

## Secretary:

Gene M. Douglas, FCIS., MBA

## 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

Castleton Investments Limited  
20 Micoud Street  
Castries, St. Lucia

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 Group 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,  
Bourbon House  
Bourbon 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

# Joint Statement of the Chairman & the Chief Operating Officer

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## Joint Statement of the Chairman & the Chief Operating Officer

Shortly before we published our 2012 Annual Report, our founder and Chairman, The Honourable Maurice Facey, OJ., passed away. His vision was of a publicly-traded investment company in the newly-independent Jamaica, through which like-minded investors could participate in the successes of many investments simultaneously, (today we refer to these vehicles as private equity companies, the most famous of which is Berkshire Hathaway, led by Warren Buffett). While the gap created by our founder's passing was large, he left us with a strong company imbued with an entrepreneurial spirit, yet tempered by a practical sense of what can be achieved. It is our responsibility to continue what our founder started nearly 50 years ago.



FACEY



HANWORTH

During 2013 we continued to look for investments to complement or enhance our existing portfolio of strong performers with a healthy foreign exchange earnings component. We finally broke ground on our much anticipated Courtyard by Marriott Hotel in New Kingston and continued to advance other development efforts in Jamaica. We spent considerable time and effort researching the renewable energy sector, as well as bidding on the Office of Utilities Regulation (OUR) 115 MW Request for Proposal, and while we were unsuccessful in that endeavor we hope to participate directly in that sector in 2014.

As discussed in greater detail elsewhere in our Annual Report, 2013 was a difficult year for the Jamaican economy with the consummation of a second debt exchange within three years, and the imposition of a significant level of fiscal discipline on the Government of Jamaica as a precursor to an IMF agreement. We applaud the GOJ's growth agenda targeted at raising Gross Domestic Product (GDP) and per capita incomes. To this end we have been pleased with the fiscal constraint and debt management shown over the last year and the reform agenda, which requires passage of meaningful legislation in areas such as enhancements to the business environment;; Public-Private Partnerships (PPP) for infrastructure development; and strategic investments such as the logistics hub.

Despite the difficult economic circumstances we improved our profits attributable to stockholders by 19%, paid dividends at the same level as the prior year, and continued to look for ways to grow your company.

Your company remains strongly capitalized, with a debt to equity ratio of 25% and a portfolio of cash and securities of \$3 billion. Stockholders' equity at the end of 2013 totalled \$17.8 billion, equivalent to \$84.95 per stock unit.

### **Our Communities**

Our commitment to community support and development continued in 2013 through the C. B. Facey Foundation; the charitable arm of the Pan-Jam Group of Companies. We have continued to "Invest in Jamaica's Future" through the areas of education, the arts and environment; areas we believe we can make a difference with our resources. As we continue to ensue that our efforts are relevant and meaningful, our investments have evolved with the needs of the communities we serve. Through the building of relationships, rather than simply making transactions, we hope to add sustainable value to our partners and stakeholders while educating and inspiring others to action. Narrowing our focus areas has allowed us to make larger impacts and has facilitated the process of clearly defining success and measuring the impacts of every community investment we make.

### **The Future**

As we note above, 2013 was a difficult year for the economy and for all of us as individuals. We believe that the country is on the right path and are very encouraged by the progress achieved by the Government against the IMF targets to date. While we are well aware that the next year will likely prove to be a watershed in terms of performance against those targets, we are confident that the country will emerge well

positioned for growth. We are excited both by Sagicor's contemplated acquisition of Royal Bank of Canada's Jamaican operations, and by our own Courtyard by Marriott development, as well as other Jamaican investments we have in the pipeline. 2014 promises to be an exciting and important year for us.

Our success would not be possible without our dedicated team of management and staff, all of whom work hard to execute the company's operations. We are also fortunate to have a highly capable and experienced team of individuals on our Board of Directors who bring considerable diversity of thought and background to our group. Through the efforts of everyone we are confident that we will continue to create exceptional value for our stockholders without taking undue risk.



Stephen Facey  
Chairman & Chief Executive Officer



Paul Hanworth  
Chief Operating Officer

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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.

# Management Discussion & Analysis

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## 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 the 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); retailing and distribution of hardware, lumber and agricultural supplies; and tour and attractions operations.

In July 2013 Pan-Jam's associated company, Caribe Hospitality of Jamaica Limited, broke ground for the construction of the Courtyard by Marriott Hotel in New Kingston, Jamaica. The construction of this 130 room hotel is expected to be complete by April, 2015.

## Financial Performance Highlights

Performance indicators	2013	2012	Better/ (Worse)
Profit attributable to owners of the parent (\$m)	2,491	2,087	19%
Earnings per stock unit	\$11.74	\$9.79	20%
Return on average equity	15%	13%	15%
Return on opening equity	15%	14%	7%
Leverage	25%	26%	4%
Return on average investment	17%	9%	89%
Return on average property value (gross)	33%	30%	10%
Return on average property value (net of direct expenses)	19%	17%	12%
Book value per stock unit	\$84.95	\$77.08	10%
Dividend per stock unit	\$2.05	\$2.05	-
Occupancy level	96%	95%	1%
Total assets (\$m)	23,310	21,468	9%
Stockholders' equity (\$m)	17,841	16,425	9%
Stock price (\$)	54.75	57.55	(5%)
Average exchange rate - US\$	\$106.05	\$92.56	(14%)

## Stock Price

The company's stock price declined by 5% year on year and was at its lowest point for the year, \$48.11, during September 2013, but trended upward to close the year at \$54.75 (2012 - \$57.55). Dividends of \$2.05 per stock unit were paid to stockholders for the year, same as 2012 level.

## Economic Overview

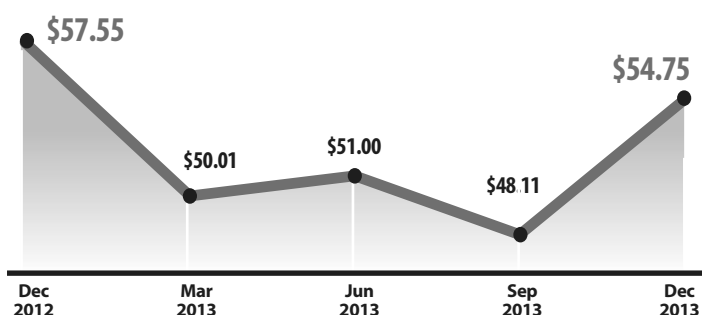
In February, 2013 the Government of Jamaica (GOJ) implemented a "National Debt Exchange" (NDX), the second such debt exchange programme in 3 years, as a precondition to a new facility with the International Monetary Fund (IMF). The national debt at the time was over 140% of Gross Domestic Product (GDP). Bondholders of domestic GOJ debt instruments were invited to exchange their bonds for instruments with longer maturities and lower interest rates, on the basis that the likely alternative was GOJ default. The NDX was a resounding success, paving the way for a 4 year agreement with the IMF in April, 2013.

Given the failure of the GOJ to adhere to its IMF commitments in 2010, the private sector supported the NDX in return for the opportunity to partner with the GOJ in the implementation of the various commitments given to the IMF, including various structural reforms in the areas of public sector modernization, private sector-led growth, social protection, and public financial management. To this end the Economic Programme Oversight Committee (EPOC), jointly chaired by Brian Wynter, Chairman of the Bank of Jamaica and Richard Byles, CEO of Sagicor Group Jamaica Limited (Sagicor), was formed to review, on a regular basis, performance against those commitments.

6 month Treasury Bill rates climbed steadily after the 2013 1st Quarter (Q1), and closed the year at 8.25% (2012 - 7.18%), an increase of 15% year on year. Borrowing rates on commercial bank loans trended downwards to 17.49% at December 2013, a reduction of 5.2% compared to 18.44% at December 2012.



## Stock Price



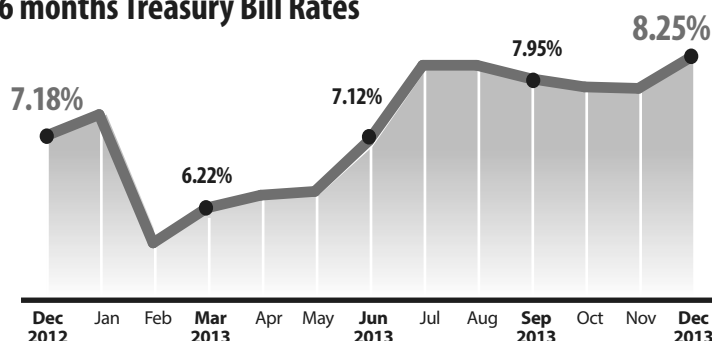
The J\$ depreciated during 2013 by 14%, closing the year at J\$106.052 (2012 – J\$92.56) to US\$1:00. The Net International Reserves (NIR) declined during the year, in part from the Bank of Jamaica's efforts to manage the depreciation of the local currency. At 31 December 2013 the NIR had declined year on year by 7% to US\$1,047 million (2012 – US\$1,126 million).

As the economy struggled in 2013, business and consumer confidence declined. The cost of goods and services continued to increase, eroding the purchasing power of consumers. For 2013 inflation was 9.7% compared to 8% for 2012, an increase of 21%. The unemployment rate increased by 9% to 14.9% (2012 – 13.7%).

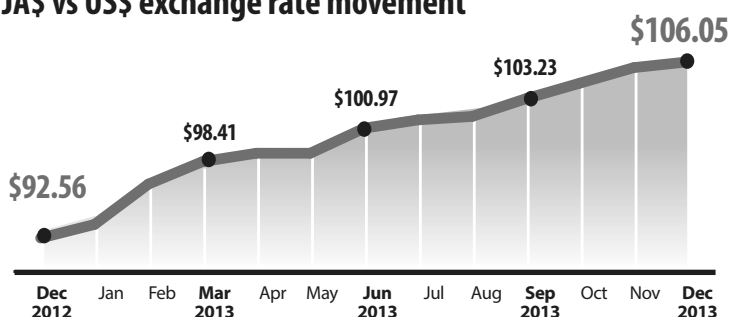
The Jamaica Stock Exchange (JSE) main index fluctuated during the year, declining by 11% in Q1 to 81,986.30. Despite increasing to 86,853.91, the highest point for the year, in Q2, the index trended downwards, declining by 12.4% year on year to close at 80,633.55 (2012 – 92,101.22).

Net remittances grew by 2.8% in 2013, totalling US\$1,824 million for the year compared to US\$1,775 for 2012. In Q4 2013 factors such as increased global demand for bauxite and aluminum positively impacted the overall performance of the economy which resulted in an increase of 1.4% in real GDP.

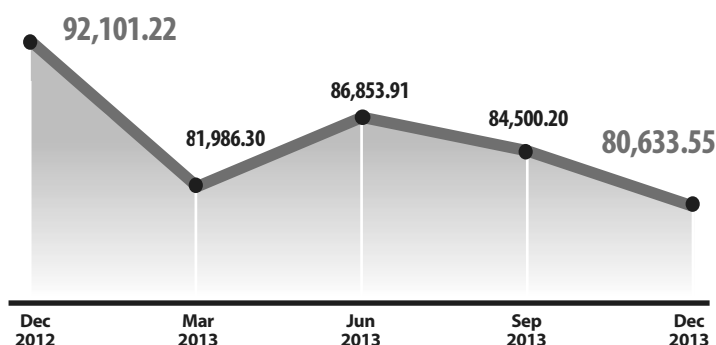
## 6 months Treasury Bill Rates



## JA\$ vs US\$ exchange rate movement



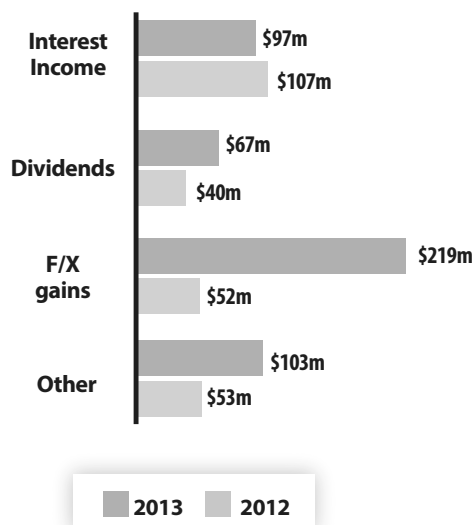
## Jamaica Stock Exchange Main Index



## Group Results

Profit attributable to equity holders increased by \$404 million, 19% to \$2,491 million (2012 – \$2,087 million), while earnings per stock unit improved to \$11.74 (2012 – \$9.79). Increases in operating profit of \$348 million, 49%, to \$1,052 million (2012 – \$704 million) and in share of results of associated and joint venture companies of \$467 million, 27%, to \$2,181 million (2012 – \$1,714 million) more than compensated for the significant increase of \$422 million in finance costs to \$609 million (2012 – \$187 million), resulting in the overall increase in net profit.

## Investment income *(J\$ Millions)*

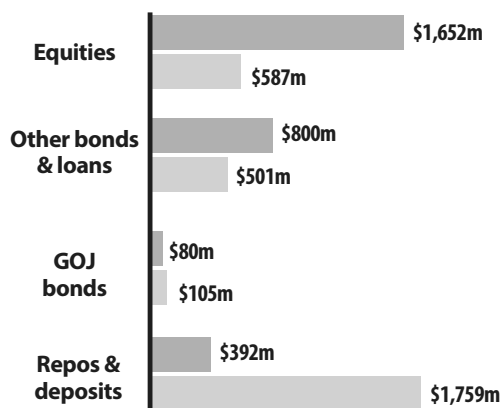


Total income increased by 25% to \$2,106 million (2012 - \$1,682 million) driven mainly by increased income from investments and property. Operating expenses of \$1,054 million (2012 - \$978 million) were 8% greater than 2012, in line with inflation. Direct expenses were up by 5% to \$600 million (2012 - \$571 million), whereas administrative expenses increased by 12% to \$454 million (2012 - \$407 million). Finance costs, which include foreign exchange losses on loans denominated in US\$, increased significantly to \$609 million (2012 - \$187 million) as 2013 included a full year of expense on the \$2.5 billion secured notes issued in July 2012 and a US\$12.5 million loan from IFC received in December 2012.

Share of results of associated and joint venture companies increased by 27% to \$2,181 million (2012 - \$1,714 million) driven mainly by increased profits from Sagicor Group Jamaica Limited (Sagicor) and Hardware and Lumber Limited (H&L). The results for 2013 include a full year of share of results from Sagicor at the company's current holding of 32.8%, having increased its shareholding from 24.8% in July 2012.

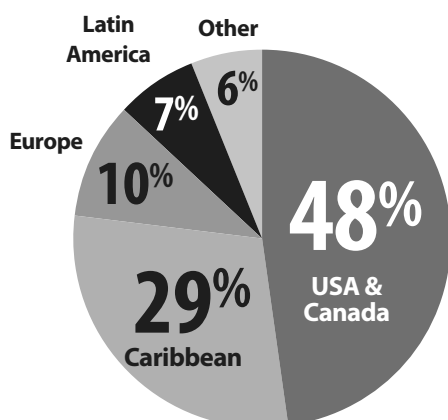
## Investment

### Investment assets *(J\$ Millions)*



Investment income improved by 93% year on year to \$486 million (2012 - \$252 million), with foreign exchange gains of \$219 million (2012 - \$52 million) being the main contributor, which broadly offset foreign exchange losses of \$243 million on our US\$-denominated borrowings. In 2013 the J\$ depreciated by 14% compared to 7% in 2012. Interest income decreased by 9% as the company shifted its portfolio mix to more equity type instruments resulting in an increase in dividend income of 69% over 2012. At the end of 2013 the equity portfolio was \$1,652 million (2012 - \$587 million).

Investment assets as at 31 December 2013 stood at \$2,924 million (2012 - \$2,952 million). The portfolio mix for 2013 was less weighted in securities purchased under agreements to resell ("repos") and deposits, 13% (2012 - 60%) and more weighted towards equity and equity type instruments, 56% (2012 - 20%), and bonds and loans, 27% (2012 - 17%). The return on average investment increased by 89% to 17% (2012 - 9%). The equity portfolio is diverse, with investments in North and South America and Caribbean markets across a broad range of industries. The group continues to maintain a high level of its investment assets in foreign currency, mainly US\$. At year-end 87% of investment assets were denominated in foreign currency, similar to the 89% at year-end 2012, principally to hedge against the depreciation of the J\$ to the US\$, as well as to ensure that liabilities denominated in US\$ are adequately matched. At the end of 2013 liabilities denominated in foreign currency were 75% (2012 - 63%) of assets denominated in foreign currency.



## Property Income

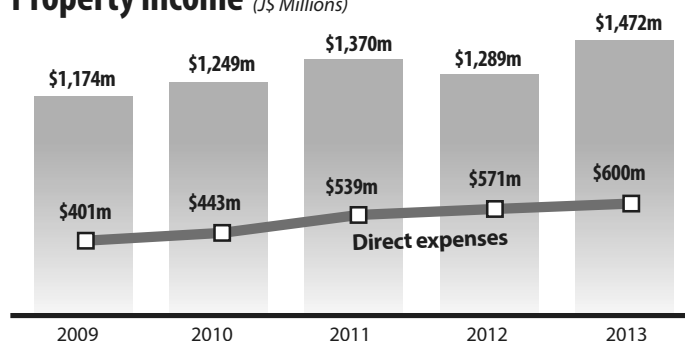
Property income increased by 14% to \$1,472 million (2012 - \$1,289 million). Rental income was up by 7% due mainly to general inflationary adjustments on leases for renewing tenants, while occupancy levels remained very strong across the portfolio at 96%. Property valuation gains improved by \$101 million to \$254 million in 2013. Direct property expenses totaled \$600 million, an increase of 5% over the 2012 level of \$571 million, partly due to increases in costs of electricity (as a result of J\$ depreciation) and insurance (as a result of higher property replacement values).

Property values were up by 6% with a total carrying value at year-end of \$4,639 million (2012 - \$4,367 million). Return on average property value (property income net of direct expenses divided by average property values) was 19% (2012 - 17%), an increase of 12%.

### PROPERTY INCOME

Property income(\$m)	2013	2012	Variance
Rental	1,218	1,136	7%
Fair value gains	254	153	65%
<b>Total</b>	<b>1,472</b>	<b>1,289</b>	<b>14%</b>

### Property income (J\$ Millions)



## Quarterly Results

In 2013, net profit attributable to equity holders improved every quarter compared to 2012, except for Q1, which was significantly affected by Sagicor's participation in the NDX, as a result of which Sagicor recorded capital losses of \$1 billion. Quarterly profits for 2013 compare favourably to each corresponding quarter in 2012 (other than Q1), as a result of (a) an increased share (from 25% to 33%) of Sagicor's profits in Q1 and Q2; (b) an improvement in Sagicor's profits each quarter, other than Q1; (c) an improvement in Hardware and Lumber's quarterly profits, notably in Q4 which benefitted from a credit arising from the termination of its participation in the major shareholder's defined benefit pension scheme in the amount of \$502 million; (d) improved property revaluation gains (a \$141 million improvement) in Q4; and (e) investment income (improvements of \$99 million and \$104 million, respectively) in Q3 and Q4. The company continued to pay quarterly dividends, other than in Q2 2013. Dividends paid of \$2.05 per stock unit for the year were the same as 2012. The annualized return on opening equity was depressed by the effects of the NDX in Q1 2013, but improved quarter on quarter and closed the year at 15% (2012 - 14%), a 1 percentage point increase.

### QUARTERLY RESULTS

	2013				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating income (\$m)	476	419	527	684	393	446	401	442
Operating expenses (\$m)	245	263	255	291	217	222	230	309
Share of results of associated and joint venture companies (\$m)	237	532	508	904	373	305	428	608
Net profit attributable to owners of the parent (\$m)	224	486	613	1,168	507	469	519	592
Earnings per stock unit (\$)	1.05	2.29	2.88	5.52	2.36	2.19	2.44	2.80
Return on opening equity, annualized (%)	5%	9%	15%	28%	14%	13%	14%	14%
Dividends paid (\$m)	235	--	96	107	107	107	107	117
Total assets (\$m)	21,710	22,114	22,585	23,310	16,337	16,913	19,806	21,432
Stockholders' equity (\$m)	16,526	16,566	17,217	17,841	15,176	15,407	15,930	16,425
Closing stock bid price (\$)	50.10	51.00	48.11	54.75	57.20	57.20	57.02	57.55

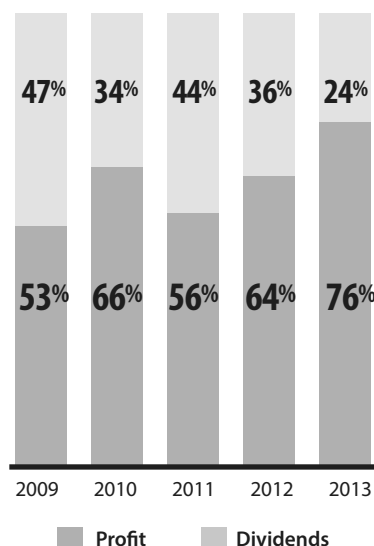
## Associated and Joint Venture Companies

Share of results from associated and joint venture companies continues to grow year on year with contribution of 88% (2012 – 82%) to profit attributable to equity holders. The share of results of associated and joint venture companies was up by 27% to \$2,181 million (2012 – \$1,714 million). In July 2012 the group increased its equity stake in Sagicor and profit for 2013 includes a share of full year's earnings at its current holding of 32.8%.

The year end 2013 carrying value of our investments in associated and joint venture companies of \$14,306 million (2012 – \$13,070 million) was 9% greater than 2012, while our return on carrying value improved to 15% (2012 – 13%). Dividends received declined by 16%, \$515 million compared to \$615 million at 2012, representing 24% (2012 – 36%) of their share of results. The decline was driven by a lower dividend from Sagicor in 2013.

### Sagicor

Sagicor's net profit attributable to shareholders was \$6,298 million, an increase of 7% over the prior year, driven by strong revenue growth from new business across all lines, which helped to offset the effects of the NDX



consummated in 1st quarter 2013 and resulted in an 18% return on average equity.

### H&L

H&L reported net profit of \$610 million (2012 – \$3 million), driven both by a one-time credit of \$502 million, consequent on a decision to cease participation in the Grace Kennedy group of companies defined benefit pension plan, and also by significant continued improvement

in operating performance. H&L's gross profit of \$1,746 million (2012 – (\$1,628 million) was up by 7% on an 8% increased revenue of \$6,811 million (2012 – \$6,284 million) despite difficult trading conditions.

### Mavis Bank

Our share of Mavis Bank Coffee Factory (Mavis Bank) results was \$5 million (2012 – \$37 million) as 2012 included a one-time accounting gain arising on acquisition of the coffee factory.

### Caribe

Caribe Hospitality Jamaica Limited (Caribe) recorded losses as the company is currently in the construction phase of the Courtyard by Marriott Hotel. Losses are anticipated to cease once the hotel is completed and operational.

### New Castle

New Castle's revenue increased by 21% to \$450 million (2012 – \$371 million) as the company continues to make progress with the production, distribution and export of Walkerswood, Busha Browne and Jamaica Joe lines of sauces and seasonings. Net profit increased significantly over prior year to \$81 million (2012 – \$8 million).

## SHARE OF RESULTS OF ASSOCIATED AND JOINT VENTURE COMPANIES

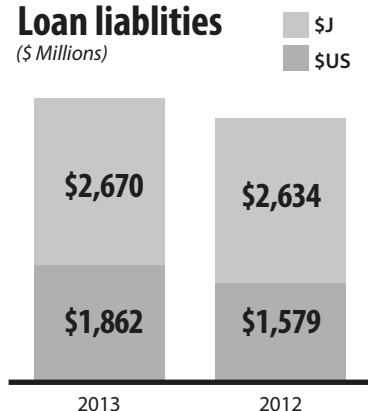
Company (\$m)	2013		2012		Change in share of profit	Change in dividends
	Share of net profit	Dividends received	Share of net profit	Dividends received		
Sagicor	2,029	493	1,676	607	↑ 21%	↓ 19%
H&L	127	5	1	2	> 100%	> 100%
New Castle	19	5	2	-	> 100%	> 100%
Chukka	9	12	7	6	↑ 29%	100%
Caribe	(8)	-	(9)	-	↑ 11%	-
Mavis Bank	5	-	37	-	↓ 87%	-
<b>Total</b>	<b>2,181</b>	<b>515</b>	<b>1,714</b>	<b>615</b>	<b>27%</b>	<b>-16%</b>

## Borrowings

During the year, the group received loans totaling \$71 million and repaid \$502 million of principal and interest. Finance costs for the year were \$609 million (2012 - \$187 million), including \$243 million (2012 - \$29 million) of foreign exchange loss on our US\$-denominated debt. The increase in interest expense resulted principally from a full year of interest expense on the secured notes of J\$2.5 billion and US\$12.5 million IFC loans received July 2012 and December 2012 respectively. Loans denominated in US\$ were 41% (2012 - 37%) of loan liabilities of \$4,532 million (2012 - \$4,213 million).

### Loan liabilities

(\$ Millions)



## Financial Position

At 31 December 2013 total assets stood at \$23,310 million (2012 - \$21,468 million), an increase of 8% with compound annual growth rate over 5 years of 13%. A 7% increase in total investment assets to \$21,869 million (2012 - \$20,389 million) as well as additional investment in land awaiting development of \$321 million (included in prepayment and miscellaneous assets) contributed to the overall increase in total assets.

Stockholders' equity continues to grow, with a compound annual growth rate of 15% from 2009 to 2013. Stockholders' equity at 31 December 2013 improved by 9% to \$17,841 million (2012 - \$16,425 million). A total of \$435 million, marginally below the prior year, was paid out to

stockholders in dividends, representing 44% (2012 - 42%) of cash profits, a 2 percentage point increase. Book value per stock unit at year end was \$85.95 (2012 - \$77.08) per stock unit. Market capitalization declined by 5% over prior year as the company's stock price declined by that same level year on year.

## 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 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 being able to react quickly to external risks, such as economic conditions or changes in the environment, is imperative to ensure that 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 risk assessment, over the past few years the company has begun implementing a strategy to increase investments in private equity 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 in its securities portfolio, namely market risk, credit risk and liquidity risk. The group is also exposed to credit risk in its property rental segment.

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 endeavour to maintain a mix of variable and fixed rate interest bearing instruments.

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 property rental by screening its customers, establishing credit limits, obtaining bankers' guarantees or collateral for loans where applicable and rigorous follow-up of receivables.

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.

# Board of Directors

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**Stephen B. Facey, M. Arch**

Mr. Stephen Facey is the Chairman 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.. Mr. Facey is a director of Sagicor Group 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.



**Paul R. Hanworth MA., ACA., CPA.**

Mr. Hanworth has been Chief Financial Officer for Pan-Jamaican Investment Trust Limited since 2006. In April 2013 he was appointed a Director of Pan-Jamaican Investment Trust Limited and subsequently appointed the Chief Operating Officer. He is a director on the Boards of Hardware & Lumber Limited and Sagicor Group Jamaica Limited. An accountant by training, Paul spent 14 years in the accounting profession with KPMG and 9 years in the wine and spirits industry with Diageo plc in various countries before moving to Jamaica in 1998 to work with Mechala Group (now ICD Group) as Chief Financial Officer. Mr. Hanworth holds a Masters degree in Classics from Cambridge University, and is a member both of the Institute of Chartered Accountants in England and Wales and of the American Institute of Certified Public Accountants.



**Paul A. B. Facey, MBA. BSc.**

Mr. Paul Facey has been Vice President, Investments of Pan-Jamaican Investment Trust, 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 Group Jamaica Ltd where he is a member of the Investments Committee.



**Christopher N. Barnes BSc, 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.



**T. Matthew W. Pragnell, BA.**

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 St. Lucia. He is a past president of the Jamaica Insurance Brokers Association and has also has experience in banking.



**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



# Board of Directors



**Richard O. Byles, BSc., MSc.**

Mr. Richard Byles is the President and Chief Executive Officer of Sagicor Group Jamaica Limited (SGJ). 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 SGJ. Richard is the Chairman of Desnoes & Geddes Limited, Sagicor Life of Cayman Island Limited, Sagicor Investments Jamaica Limited and director of Sagicor Bank Jamaica Limited. He is a Vice President of the Private Sector Organization of Jamaica and is the co-chair of the Economic Programme Oversight Committee (EPOC), a private/public sector committee established to oversee the implementation of the IMF Programme in Jamaica.



**Donovan H. Perkins, MBA**

Mr. Donovan Perkins is the President & CEO 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.



**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 (JBGL), 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 JBGL's Executive Team in the development and execution of its strategic plan and was instrumental in its successful foray into the ethanol industry in 2007. He was appointed to the Pan-Jam 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.



# 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.

- 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 Chairman & 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 Managing Director, particularly in relation to external affairs. He/she is also responsible for ensuring that new Directors receive appropriate training and induction into PJIT.

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 Chairman & 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.

## 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;

## 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 & CEO.

Should the Chairman & 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.
- 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;
- Proposes 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 assist 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.



## BOARD SUB COMMITTEES

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

## BOARD ATTENDANCE REGISTER 2013

E = Executive      I = Independent      NI – Non-Independent Board

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

\*Mr. Hanworth was appointed to the Board on 10 April 2013


## EXTERNAL DIRECTORS' REMUNERATION

Annual Retainer	Board	Audit & Risk	Investment	HR & Compensation	Governance
Chairman	\$1,575,000	\$787,500	\$787,500	\$472,500	\$472,500
Members	\$1,050,000	\$630,000	\$630,000	\$367,000	\$367,000

**DIVIDEND POLICY:** The company has adopted a dividend policy to distribute 50% of core cash earnings



## C.B. FACEY FOUNDATION

 A charitable Organisation of the  
Pan-Jamaican Group of Companies

Pan Jamaican Investment Trust, through the Cecil Boswell Facey Foundation seeks to help create a better future for Jamaicans, namely our youth by fostering healthier and more vibrant communities. We focus our commitment to corporate citizenship in two ways: working responsibly in our own business and serving our local communities.

## OUR 2030 VISION

The C.B. Facey Foundation believes that Jamaica is filled with human capital investment opportunities - in the areas of education, the environment and the arts. This year, we worked on strengthening and establishing new partnerships with our communities of impact through financial assistance, small business development advice and volunteer efforts. The C.B. Facey Foundation embarked on a school transformational mission with Boys' Town All-Age School. The initial stages of development were reflected in professional development sessions with teachers and administrators. We promoted the exploration of cultural belief systems and various student-centered approaches that equip 21st century learners with problem solving, creativity, critical thinking and communication skills. The Foundation hopes to continue working with both education and community stakeholders in a more sustained, culturally appropriate and impactful way to capture the future economic value of talent in inner-city youth for the improvement of the Jamaican economy.



Brittany Singh, ( Admin. Officer, Pan-Jam), with Ms. Kei Harris, the winner of the Juniors 18-Hole Category at the 2013 SANTA Golf Tournament. (Event sponsored by CB Facey Foundation).

## OUR COMMUNITIES OF IMPACT



Edna Manley College  
of the Visual and Performing Arts

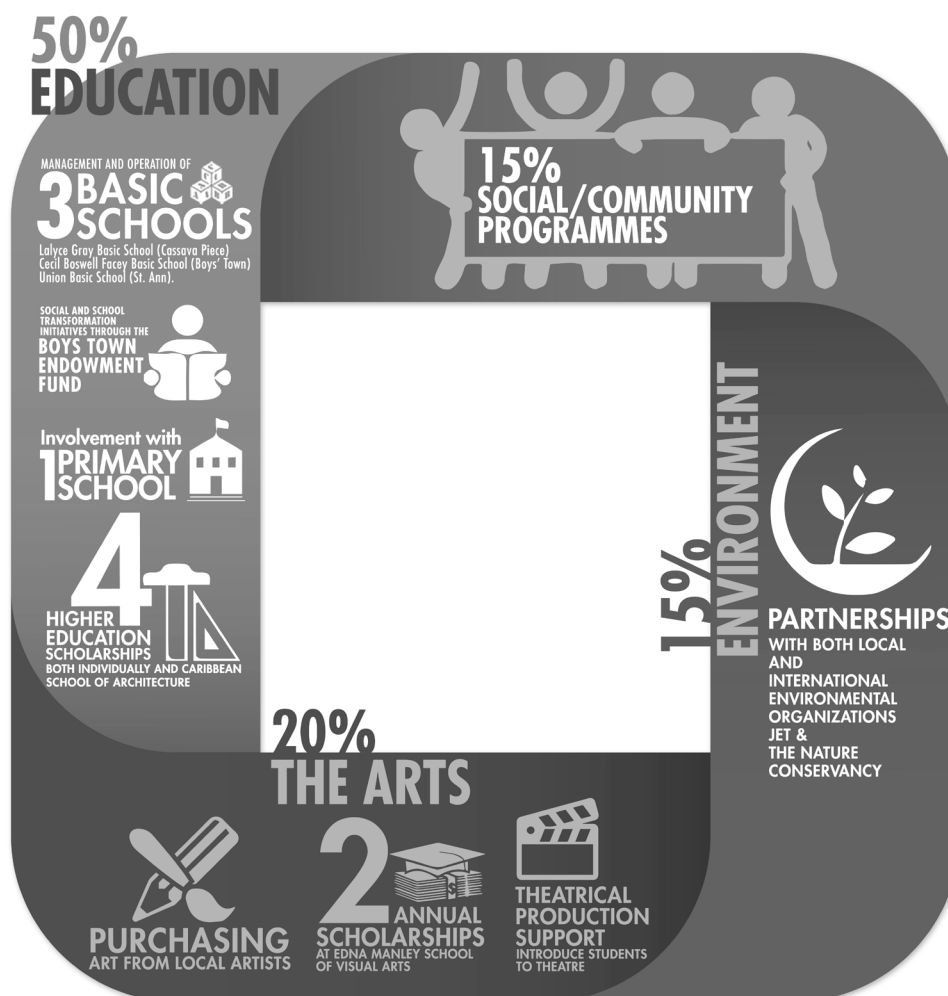


**Jamaica**  
**junior** theatre

# INVESTING IN JAMAICA'S FUTURE

Since 1984, Pan-Jamaican's corporate social efforts have been channeled through the Cecil Boswell Facey Foundation. Our mission has been to See a Need, Take Action by providing impactful investments across Jamaica's education, environment, the arts and socially transformative spheres.

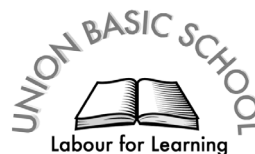
## PERCENTAGE SPENT EACH YEAR FROM OUR BUDGET



Jamaica Association for the Deaf



LALYCE GRAY  
ARE LIKE  
EARLY CHILDHOOD INSTITUTION





## Our People



*A group of employees with their awards at our Annual Awards Function. From left, Peter Beckford, Andrew Thomas, Cheryl Levy, Leon Ebanks and Donovan Stewart.*

Throughout 2013, the Pan-Jamaican Group continued its efforts to proactively respond to the fast changing business environment and to foster a cohesive organizational culture through effective communication and ongoing dialogue with labour and management.

We make every effort to create and to maintain a pleasant and safe work environment for all our people. The Pan-Jamaican Group places a premium on recruiting and retaining high potential employees as we believe that employees are our most important asset. We are

committed to employees' ongoing development, and continued our thrust in 2013 to invest in training and professional development to ensure that our people are adequately skilled to serve our clients at the highest level.

We are also focused on our environment strategy which helps in our quest to achieve sustainable growth and spans our entire operations – from how we run our business to the services we provide to our clients and ultimately how we engage with employees and suppliers.



# 2013 Financial Statements

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## 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 33 to 145, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, 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 2013, and the income statement, 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 2013, 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.

6 March 2014  
Kingston, Jamaica

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PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica

T: (876) 922 6230, F: (876) 922 7581, [www.pwc.com/jm](http://www.pwc.com/jm)

C.D.W. Maxwell E.A. Crawford P.E. Williams L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning  
G.A. Reece P.A. Williams R.S. Nathan

# Consolidated Income Statement

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

		2013	Restated
	Note	\$'000	2012 \$'000
<b>Income</b>			
Investments	5	485,771	252,284
Property	6	1,471,780	1,289,099
Commissions		52,077	43,177
Other	7	96,643	97,243
		2,106,271	1,681,803
Operating expenses	8	(1,053,838)	(977,639)
<b>Operating Profit</b>		1,052,433	704,164
Finance costs	10	(609,144)	(186,706)
Share of results of joint venture		5,541	37,337
Share of results of associated companies		2,175,326	1,677,002
<b>Profit before Taxation</b>		2,624,156	2,231,797
Taxation	11	(100,131)	(119,079)
<b>NET PROFIT</b>		2,524,025	2,112,718
<b>Attributable to:</b>			
Owners of the parent		2,491,106	2,086,930
Non-controlling interests		32,919	25,788
		2,524,025	2,112,718
<b>Earnings per stock unit attributable to owners of the parent during the year</b>			
Basic and fully diluted	12	\$11.74	\$9.79

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 \$'000	2012 \$'000
<b>Net Profit for the year</b>	<u>2,524,025</u>	<u>2,112,718</u>
<b>Other Comprehensive Income, net of taxes</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurement of post-employment benefit obligations, net of taxation	<u>(59,271)</u>	<u>(17,412)</u>
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	2,733	11,761
Unrealised gains on available-for-sale financial assets, net of taxation	137,472	8,123
Gains recycled to profit or loss on disposal and maturity of investment assets, net of taxation	(17,994)	(80,524)
Share of other comprehensive income of associated companies, net of taxation	<u>(564,835)</u>	<u>184,781</u>
	<u>(442,624)</u>	<u>124,141</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>2,022,130</u></u>	<u><u>2,219,447</u></u>
<b>Attributable to:</b>		
Owners of the parent	1,989,310	2,193,807
Non-controlling interests	32,820	25,640
	<u><u>2,022,130</u></u>	<u><u>2,219,447</u></u>

# Consolidated Statement of Financial Position

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000	Restated 2011 \$'000
<b>ASSETS</b>				
<b>Cash and Bank Balances</b>	13	30,865	41,721	16,081
<b>Investments</b>				
Deposits	13	139,885	896,092	176,938
Investment securities:				
Financial assets at fair value through profit and loss	14	609,282	112,057	277,867
Available-for-sale	14	1,685,215	810,573	1,447,840
Loans and receivables	14	237,451	270,543	7,309
		2,531,948	1,193,173	1,733,016
Securities purchased under agreements to resell	15	252,209	862,757	593,873
Investment properties	16	4,638,669	4,366,940	4,201,355
Investment in joint venture	17	76,481	70,940	74,062
Investment in associated companies	17	14,229,464	12,998,900	8,238,806
		<u>21,868,656</u>	<u>20,388,802</u>	<u>15,018,050</u>
<b>Other assets</b>				
Taxation recoverable		69,904	68,681	64,789
Deferred tax assets	18	17,497	336	107
Prepayment and miscellaneous assets	19	984,556	613,271	469,301
Property, plant and equipment	20	338,843	354,695	356,386
		<u>1,410,800</u>	<u>1,036,983</u>	<u>890,583</u>
		<u><u>23,310,321</u></u>	<u><u>21,467,506</u></u>	<u><u>15,924,714</u></u>

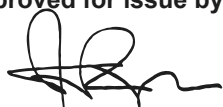
# Consolidated Statement of Financial Position (Continued)

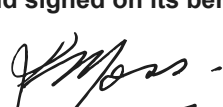
Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

		2013	Restated 2012	Restated 2011
	Note	\$'000	\$'000	\$'000
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Stockholders' Equity</b>				
<b>Capital and Reserves Attributable to Owners of the Parent</b>				
Share capital	26	2,141,985	2,141,985	2,141,985
Equity compensation reserve	27	11,359	-	-
Property revaluation reserve	28	2,922,892	2,675,311	2,518,691
Investment and other reserves	29	3,210,700	3,648,510	3,481,077
Retained earnings		9,717,955	7,968,949	6,492,920
Treasury stock	26	(164,325)	(9,899)	(9,090)
		17,840,566	16,424,856	14,625,583
<b>Non-Controlling Interests</b>		<u>257,947</u>	<u>230,259</u>	<u>206,968</u>
		<u>18,098,513</u>	<u>16,655,115</u>	<u>14,832,551</u>
<b>Liabilities</b>				
Bank overdrafts	13	4,606	-	9,499
Taxation payable		85,010	119,536	42,578
Due to related parties	22	-	-	5,225
Loan liabilities	23	4,532,356	4,212,726	532,214
Finance lease liability	24	14,528	13,799	12,416
Deferred tax liabilities	18	31,547	67,134	142,668
Retirement benefit liabilities	21	259,187	155,174	116,817
Other liabilities	25	284,574	244,022	230,746
		<u>5,211,808</u>	<u>4,812,391</u>	<u>1,092,163</u>
		<u>23,310,321</u>	<u>21,467,506</u>	<u>15,924,714</u>

Approved for issue by the Board of Directors on 6 March 2014 and signed on its behalf by:

  
 Stephen B. Facey Chairman

  
 Kathleen A. J. Moss Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

\-----Attributable to Owners of the Parent-----\								
	Share Capital	Equity Compensation Reserve	Property Revaluation Reserve	Investment and Other Reserves	Retained Earnings	Treasury Stock	Non- controlling Interests	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2012 as previously stated</b>	2,141,985	-	2,518,691	3,481,077	6,503,785	(9,090)	206,968	14,843,416
Effect of adoption of revised accounting standards	36	-	-	-	(10,865)	-	-	(10,865)
<b>Balance at 1 January 2012 as restated</b>	2,141,985	-	2,518,691	3,481,077	6,492,920	(9,090)	206,968	14,832,551
Net profit	-	-	-	-	2,086,930	-	25,788	2,112,718
Other comprehensive income	-	-	-	124,289	(17,412)	-	(148)	106,729
Total comprehensive income for the year	-	-	-	124,289	2,069,518	-	25,640	2,219,447
<b>Transactions with owners</b>								
Dividends paid to equity holders of the company	30	-	-	-	(436,869)	-	-	(436,869)
Dividends paid to non- controlling interest		-	-	-	-	-	(24,000)	(24,000)
Partial disposal of subsidiary	17			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)	-	-	-
<b>Balance at 31 December 2012 as restated</b>	2,141,985	-	2,675,311	3,648,510	7,968,949	(9,899)	230,259	16,655,115

# Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

\-----Attributable to Owners of the Parent-----\									
		Share Capital	Equity Compensation Reserve	Property Revaluation Reserve	Investment and Other Reserves	Retained Earnings	Treasury Stock	Non- controlling Interests	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2013 as restated</b>		2,141,985	-	2,675,311	3,648,510	7,968,949	(9,899)	230,259	16,655,115
<b>Comprehensive income</b>									
Net profit		-	-	-	-	2,491,106	-	32,919	2,524,025
Other comprehensive income		-	-	-	(442,525)	(59,271)	-	(99)	(501,895)
Total comprehensive income for the year		-	-	-	(442,525)	2,431,835	-	32,820	2,022,130
<b>Transactions with owners</b>									
Employee share option scheme value of services provided	27	-	13,601	-	-	-	-	-	13,601
Employee share grants vested	27	-	(2,242)	-	(417)	-	2,659	-	-
Dividends paid to equity holders of the company	30	-	-	-	-	(435,248)	-	-	(435,248)
Liquidation of shareholding in subsidiary		-	-	-	5,132	-	-	(5,132)	-
Acquisition of treasury stock	26	-	-	-	-	-	(157,085)	-	(157,085)
Total transactions with owners		-	11,359	-	4,715	(435,248)	(154,426)	(5,132)	(578,732)
Transfer of unrealised property revaluation gains		-	-	247,581	-	(247,581)	-	-	-
<b>Balance at 31 December 2013</b>		2,141,985	11,359	2,922,892	3,210,700	9,717,955	(164,325)	257,947	18,098,513



# Consolidated Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000
<b>Cash Flows from Operating Activities</b>	31	<u>466,084</u>	<u>421,163</u>
<b>Cash Flows from Investing Activities</b>			
Acquisition of property, plant and equipment	20	(30,098)	(35,958)
Improvements to investment properties	16	(13,068)	(3,238)
Proceeds from disposal of property, plant and equipment		6,438	6,437
Acquisition of shares in associated companies	17	-	(3,498,573)
Additional investment in associated company	17	(135,028)	-
Investment in joint venture		-	(71,061)
Dividends from associated companies		515,014	614,872
(Acquisition)/disposal of investment securities, net		(987,148)	657,759
Advances on future developments		<u>(179,621)</u>	<u>(282,439)</u>
Net cash used in investing activities		<u>(823,511)</u>	<u>(2,612,201)</u>
<b>Cash Flows from Financing Activities</b>			
Due to related parties		-	(5,225)
Loans received		70,893	3,709,265
Loans repaid		(181,772)	(165,668)
Interest paid		(320,569)	(48,036)
Cash received on third party equity injection in a subsidiary		-	64,795
Finance lease, net		728	1,383
Acquisition of treasury stock		(157,085)	(809)
Dividends paid to non-controlling interest		-	(24,000)
Dividends paid to equity holders	30	<u>(435,248)</u>	<u>(436,869)</u>
Net cash(used in)/provided by financing activities		<u>(1,023,053)</u>	<u>3,094,836</u>
Net (decrease)/increase in cash and cash equivalents		(1,380,480)	903,798
Effect of exchange rate changes on cash and cash equivalents		95,170	23,932
Cash and cash equivalents at beginning of year		<u>1,701,908</u>	<u>774,178</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	13	<u><u>416,598</u></u>	<u><u>1,701,908</u></u>

# Company Income Statement

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000
<b>Income</b>			
Investments	5	1,052,558	881,465
Management fees	7	32,822	35,628
Miscellaneous	7	1,630	182
		<u>1,087,010</u>	<u>917,275</u>
<b>Expenses</b>			
Operating expenses	8	190,564	269,825
Finance costs	10	486,836	117,732
		<u>677,400</u>	<u>387,557</u>
<b>Profit before Taxation</b>		409,610	529,718
Taxation	11	5,774	(26,642)
<b>NET PROFIT</b>		<u>415,384</u>	<u>503,076</u>

# Company Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 \$'000	2012 \$'000
<b>Net Profit for the year</b>	<u>415,384</u>	<u>503,076</u>
<b>Other Comprehensive Income</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurement of post-employment benefit obligations, net of taxation	26,258	20,519
<i>Items that may be subsequently reclassified to profit or loss</i>		
Unrealised gain on available-for-sale financial assets, net of taxation	117,713	11,580
Gains recycled to profit or loss on disposal and maturity of investment assets, net of taxation	(17,994)	(62,590)
	<u>99,719</u>	<u>(51,010)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><u>541,361</u></u>	<u><u>472,585</u></u>

# Company Statement of Financial Position

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000	Restated 2011 \$'000
<b>ASSETS</b>				
<b>Cash and Bank Balances</b>	13	733	18,624	4,587
<b>Investments</b>				
Deposits	13	15,139	734,068	114,123
Investment securities				
Financial assets at fair value through profit and loss	14	-	-	7,628
Available-for-sale	14	1,132,413	623,842	976,523
Loans and receivables	14	437,915	457,350	314,185
		1,570,328	1,081,192	1,298,336
Securities purchased under agreements to resell	15	12,650	525,999	241,780
Investment in subsidiaries	17	301,510	301,207	211,110
Investment in associated companies	17	7,438,629	7,303,601	3,790,418
		<u>9,338,256</u>	<u>9,946,067</u>	<u>5,655,767</u>
<b>Other Assets</b>				
Due from related parties	22	673,139	63,579	348,568
Taxation recoverable		60,703	59,546	54,959
Deferred tax asset	18	17,391	-	-
Prepayment and miscellaneous assets	19	48,375	63,136	253,942
Property, plant and equipment	20	16,759	25,150	26,910
Retirement benefit assets	21	70,657	41,593	28,152
		<u>887,024</u>	<u>253,004</u>	<u>712,531</u>
		<u>10,226,013</u>	<u>10,217,695</u>	<u>6,372,885</u>

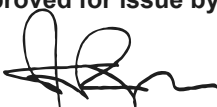
# Company Statement of Financial Position (Continued)

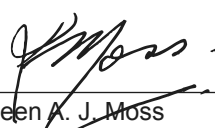
Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	Restated 2012 \$'000	Restated 2011 \$'000
<b>STOCKHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Stockholders' Equity</b>				
Share capital	26	2,141,985	2,141,985	2,141,985
Equity compensation reserve	27	5,543	-	-
Investment and other reserves	29	1,411,716	1,311,997	1,363,007
Retained earnings		2,636,552	2,632,036	2,545,567
		6,195,796	6,086,018	6,050,559
<b>Liabilities</b>				
Bank overdraft	13	2,535	-	-
Taxation payable		53,226	56,598	673
Due to related parties	22	33,693	217,411	158,529
Loan liabilities	23	3,829,406	3,717,061	8,267
Finance lease liability	24	3,583	4,210	-
Deferred tax liability	18	-	3,250	25,693
Retirement benefit liabilities	21	35,597	36,227	45,808
Other liabilities	25	72,177	96,920	83,356
		<u>4,030,217</u>	<u>4,131,677</u>	<u>322,326</u>
		<u>10,226,013</u>	<u>10,217,695</u>	<u>6,372,885</u>

Approved for issue by the Board of Directors on 6 March 2014 and signed on its behalf by:

  
 Stephen B. Facey Chairman

  
 Kathleen A. J. Moss Director

# Company Statement of Changes in Equity

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Equity Compensation Reserve \$'000	Investment and Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 January 2012 as restated</b>		2,141,985	-	1,363,007	2,545,567	6,050,559
<b>Comprehensive income</b>						
Net profit		-	-	-	503,076	503,076
Other comprehensive income:		-	-	(51,010)	20,519	(30,491)
Total comprehensive income		-	-	(51,010)	523,595	472,585
<b>Transactions with owners</b>						
Dividends paid	30	-	-	-	(437,126)	(437,126)
Total transactions with owners		-	-	-	(437,126)	(437,126)
<b>Balance at 31 December 2012</b>		2,141,985	-	1,311,997	2,632,036	6,086,018
<b>Comprehensive income</b>						
Net profit		-	-	-	415,384	415,384
Other comprehensive income:		-	-	99,719	26,258	125,977
Total comprehensive income		-	-	99,719	441,642	541,361
<b>Transactions with owners</b>						
Employee share option scheme value of services provided	27	-	6,620	-	-	6,620
Employee share grants vested	27	-	(1,077)	-	-	(1,077)
Dividends paid	30	-	-	-	(437,126)	(437,126)
Total transactions with owners		-	5,543	-	(437,126)	(431,583)
<b>Balance at 31 December 2013</b>		2,141,985	5,543	1,411,716	2,636,552	6,195,796

# Company Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	2012 \$'000
<b>Cash Flows from Operating Activities</b>	31	686,446	767,345
<b>Cash Flows from Investing Activities</b>			
Subscription for additional shares in subsidiary		(303)	(79,453)
Acquisition of shares in associated companies	17	-	(3,498,573)
Additional investment in associated company	17	(135,028)	-
Acquisition of property, plant and equipment	20	(3,244)	(4,536)
Proceeds from disposal of property, plant, and equipment		6,438	-
(Acquisition)/disposal of investment securities		(309,790)	317,265
Net cash used in investing activities		(441,927)	(3,265,297)
<b>Cash Flows from Financing Activities</b>			
Related parties		(741,780)	240,255
Loans received		-	3,601,201
Loans repaid		(100,526)	(2,938)
Interest paid		(273,964)	(5,427)
Finance lease (repaid)/received		(627)	4,210
Dividends paid to shareholders	30	(437,126)	(437,126)
Net cash (used in)/provided by financing activities		(1,554,023)	3,400,175
Net (decrease)/increase in cash and cash equivalents		(1,309,504)	902,223
Effect of exchange rate changes on cash and cash equivalents		56,779	15,409
Cash and cash equivalents at beginning of year		1,278,122	360,490
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	13	25,397	1,278,122

# Notes to the Financial Statements

Year ended 31 December 2013

(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) 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%
Scotts Preserves Limited	Food and Beverage	63%	-
Busha Browne's Company Limited	Distribution	100%	-
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%	-
Norbury Investments Limited (Incorporated in Canada)	Investment Management	-	100%
<b>Associated Companies</b>			
Hardware & Lumber Limited	Retail and Trading	20.83%	-
Sagikor Group 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%	-
<b>Other Consolidated Entity</b>			
First Jamaica Employees Share Purchase Plan	Employees share ownership plan	100%	-
<b>Joint Venture Company</b>			
Mavis Bank Coffee Factory Limited	Food and Beverage	-	50%



# Notes to the Financial Statements

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

## 1. Identification and Principal Activities (Continued)

- (d) All of the company's subsidiaries, associated companies and joint venture entity are incorporated and domiciled in Jamaica, except as otherwise indicated.
- (e) On 13 July 2012, the group acquired an additional 7.98% of the share capital of its associated company, Sagicor Group Jamaica Limited (formerly Sagicor Life Jamaica Limited), thereby increasing its share of ownership from 24.8% to 32.78%.
- (f) In May 2012 the group acquired a 20% holding in Chukka Caribbean Adventures Limited, a company in the tourism sector and a 35% holding in Caribe Hospitality Jamaica Limited, a property development company.

## 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 2013 that are relevant to the group's operations

- **Amendment to IAS 1, 'Presentation of Financial Statements'**, regarding other comprehensive income. 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 group has implemented the amendment and has adjusted the statement of comprehensive income for the current and prior years.
- **IAS 19 (Revised), 'Employee benefits'**  
This standard eliminates the corridor approach and requires the recognition of all actuarial gains and losses in OCI as they occur and the immediate recognition of all past service costs. It also replaces 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). The group has implemented the requirements of the standard, as detailed in Note 21.

# Notes to the Financial Statements

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

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

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

**Amendments to published standards effective 1 January 2013 that are relevant to the group's operations (continued)**

- **IFRS 10, Consolidated Financial Statements.** 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.. There is no impact from adoption of this standard.
- **IFRS11, Joint Arrangements** 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. There is no impact from adoption of this standard.
- **IFRS 12, Disclosure of Interests in Other Entities.** 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 adoption of this standard has resulted in expanded disclosures in the financial statements.
- **IFRS 13, Fair Value Measurement.** 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 adoption of this standard has resulted in expanded disclosures in the financial statements.

### **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 2013 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:

# Notes to the Financial Statements

Year ended 31 December 2013

*(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 (continued)**

- **IFRS 9, 'Financial instruments'**, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The group is yet to assess IFRS 9's full impact and the timing of its adoption by the group.

### (b) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

Year ended 31 December 2013

*(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 of 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.

# Notes to the Financial Statements

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

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

### (b) Basis of consolidation (continued)

#### (iii) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. In the company's statement of financial position, investments in associates are shown at cost.

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.

#### (iv) Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual right and obligations of each investor. The group has assessed the nature of its joint arrangement and has determined it to be a joint venture. The group's interest in the joint venture 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

Year ended 31 December 2013

*(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.

Except as discussed in note 2(f) under hedging activities, 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

Year ended 31 December 2013

*(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

Year ended 31 December 2013

*(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.

#### **Hedging activities**

The group uses hedge accounting to hedge the foreign exchange risk arising from certain foreign currency denominated equities, which it classifies as available-for-sale. It has designated as the hedging instrument certain foreign currency denominated debt.

The group documents, at the inception of the hedge, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, whether the foreign currency denominated loan that is used in the hedging relationship is highly effective in offsetting changes in the fair values of the available-for-sale equities which are attributed to a movement in the foreign exchange rate.

Once the hedging relationship remains effective, the foreign exchange gains or losses attributed to the available-for-sale equities are recorded in the income statement. If the loan is repaid, or if the hedging relationship becomes ineffective, hedge accounting will cease and the foreign currency translations gains on the available-for-sale equities will revert to being recorded in other comprehensive income.

The group uses debt which is owed by the parent company to hedge the foreign exchange risk on available-for-sale equities owned by its subsidiaries, even in subsidiaries where no foreign currency denominated debt exists. On consolidation, the foreign exchange movements on those equities are recorded in the income statement. In the financial statements of those subsidiaries standing alone those foreign currency movements are recorded as part of the fair value movement in other comprehensive income.

### (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.



# Notes to the Financial Statements

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

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

### (h) Investments

#### (i) Investment securities

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

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

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

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale 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) & 2(f)

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 other comprehensive income 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

Year ended 31 December 2013

*(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

Year ended 31 December 2013

(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

Year ended 31 December 2013

*(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. 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 are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in expenses.

#### (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 are charged or credited to equity in other comprehensive income in the period in which they arise. 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

Year ended 31 December 2013

*(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

Year ended 31 December 2013

*(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, 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 executive committee that makes strategic decisions is deemed to be the chief operating decision-maker.

# Notes to the Financial Statements

Year ended 31 December 2013

*(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 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 judgement 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

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

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

### (iv) Pension plan assets and post employment obligations

The cost of pension and other post-retirement benefits and the present value of these liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions 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 local economy. 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.

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

As required by IFRS, acquisitions of shareholdings in associated companies require the allocation of the purchase price 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.



# Notes to the Financial Statements

Year ended 31 December 2013

(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.

	2013				
	Property Management & Rental	Investments	Other Services	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,601,728	411,107	93,436	-	2,106,271
Inter-group revenue	1,108	199,387	243	(200,738)	-
Total revenue	1,602,836	610,494	93,679	(200,738)	2,106,271
Operating profit	722,075	255,520	74,838	-	1,052,433
Finance costs	(201,240)	(486,836)	(200)	79,132	(609,144)
	520,835	(231,316)	74,638	79,132	443,289
Share of results of associated companies and joint venture	-	2,180,867	-		2,180,867
Profit before taxation	520,835	1,949,551	74,638	79,132	2,624,156
Taxation	(92,613)	2,013	(9,531)	-	(100,131)
Net profit	428,222	1,951,564	65,107	79,132	2,524,025
Segment assets	6,267,043	2,752,652	303,484	(318,803)	9,004,376
Investment in associated companies and joint venture	-	14,229,464	76,481	-	14,305,945
Total assets	6,267,043	16,982,116	379,965	(318,803)	23,310,321
Segment liabilities	1,351,955	4,051,845	126,811	(318,803)	5,211,808
Other segment items:					
Capital expenditure	26,854	3,244	-	-	30,098
Depreciation	22,116	6,280	-	-	28,396

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 4. Segmental Financial Information (Continued)

### Restated

	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	643,198	79,546	72,341	(90,921)	704,164
Finance costs	(147,910)	(116,245)	(7,318)	84,767	(186,706)
	495,288	(36,699)	65,023	(6,154)	517,458
Share of results of associated companies and joint venture	-	1,714,339	-	-	1,714,339
Profit before taxation	495,288	1,677,640	65,023	(6,154)	2,231,797
Taxation	(82,918)	(26,642)	(9,519)		(119,079)
Net profit	412,370	1,650,998	55,504	(6,154)	2,112,718
Segment assets	5,679,062	2,772,162	298,139	(351,697)	8,397,666
Investment in associated companies and joint venture	-	12,998,900	70,940	-	13,069,840
Total assets	5,679,062	15,771,062	369,079	(351,697)	21,467,506
Segment liabilities	1,146,264	3,911,077	106,747	(351,697)	4,812,391
Other segment items:					
Capital expenditure	31,422	4,536	-	-	35,958
Depreciation	17,333	6,296	-	-	23,629

Revenue is recognised by each segment on the accrual basis.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 5. Investment Income

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Income</b>				
Interest income -				
Available-for-sale investments	41,101	45,978	15,842	19,352
Loans and receivables	32,865	28,490	108,549	97,983
Securities purchased under agreement to resell and deposits	23,435	32,655	2,990	8,608
Realised gains on disposal of investments, net	94,093	61,679	83,327	68,027
Fair value gains on financial assets				
at fair value through profit and loss	42,527	305	-	-
Impairment charge on available-for-sale investments	(34,033)	(8,546)	(14,687)	(8,546)
Foreign exchange gains	219,236	52,035	197,276	32,717
Dividends	66,835	39,658	659,415	663,382
Other	541	164	76	31
	486,600	252,418	1,052,788	881,554
<b>Direct expenses</b>				
Investment expense	(829)	(134)	(230)	(89)
	485,771	252,284	1,052,558	881,465

## 6. Property Income

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Rental income (Note 16)	1,218,369	1,136,299	-	-
Fair value gains on property valuation (Note 16)	253,411	152,800	-	-
	1,471,780	1,289,099	-	-

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 7. Other Income

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Management fees	75,746	69,812	32,822	35,628
Miscellaneous income	20,897	27,431	1,630	182
	<u>96,643</u>	<u>97,243</u>	<u>34,452</u>	<u>35,810</u>

## 8. Operating Expenses by Nature

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Direct cost of property management (Note 16)	599,672	571,249	-	-
Staff costs (Note 9)	179,621	167,373	39,517	54,706
Directors fees and emoluments	61,614	58,072	37,979	40,229
Professional fees	71,005	57,545	41,274	31,198
Auditor's remuneration	15,235	14,398	6,181	5,817
Information technology services	16,564	14,775	1,642	2,092
Office expense	7,218	8,582	1,368	1,807
Public relations, advertising and promotion	1,287	2,460	1,287	1,649
Donations	22,852	20,499	17,952	15,010
Bad debts	376	9,710	-	90,921
Depreciation	28,396	23,629	6,280	6,296
Other	49,998	29,347	37,084	20,100
	<u>1,053,838</u>	<u>977,639</u>	<u>190,564</u>	<u>269,825</u>

Included in operating expenses for the company is \$nil (2012 - \$90,921,000) due from subsidiaries written off as bad debts.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 9. Staff Costs

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	89,803	103,198	13,616	33,972
Statutory contributions	12,229	10,275	3,817	3,519
Pension – funded (Note 21(a))	31,033	19,498	7,248	6,057
Pension – unfunded (Note 21(b))	1,068	1,091	1,068	1,091
Other post-employment benefits (Note 21(c))	13,916	13,975	3,063	3,819
Stock compensation expense (Note 27)	13,601	-	6,620	-
Other	17,971	19,336	4,085	6,248
	<u>179,621</u>	<u>167,373</u>	<u>39,517</u>	<u>54,706</u>

## 10. Finance Costs

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Interest expense	363,717	152,701	317,713	113,359
Foreign exchange losses	242,818	29,408	167,016	278
Commitment fee	2,609	4,597	2,107	4,095
	<u>609,144</u>	<u>186,706</u>	<u>486,836</u>	<u>117,732</u>

## 11. Taxation

### (a) Composition of tax charge

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

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Current income tax at 28.75%	133,187	185,196	23,620	55,925
Deferred income taxes (Note 18)	(33,056)	(66,117)	(29,394)	(29,283)
	<u>100,131</u>	<u>119,079</u>	<u>(5,774)</u>	<u>26,642</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 (2012 - \$25,000,000).

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 11. Taxation (Continued)

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

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Current income tax				
Profit before tax	2,624,156	2,231,797	409,610	529,718
Tax at 28.75% (2012 – 33.33%)	754,445	743,932	117,763	176,573
Adjusted for the effects of:				
Income not subject to tax	(140,797)	(62,056)	(80,880)	(15,303)
Adjustment for different tax rate	(462)	(32,576)	(141,110)	(194,860)
Share of associates' and joint venture profit included net of tax	(626,999)	(571,446)	-	-
Expenses not deductible for tax purposes	83,589	41,928	81,007	41,524
Other charges and credits	30,355	(703)	17,446	18,708
Income tax expense/(credit)	100,131	119,079	(5,774)	26,642

Income not subject to tax consists principally of property revaluation gains (for the group) and dividend income (for the group and company). Expenses not deductible for tax consist principally of certain interest expense.

# Notes to the Financial Statements

Year ended 31 December 2013

(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 \$'000	After Tax \$'000	Before Tax \$'000	Tax \$'000	After Tax \$'000
<b>At 31 December 2013</b>						
Exchange differences on translating foreign operations	2,733	-	2,733	-	-	-
Fair value gains on available-for-sale financial asset, net of gains recycled to profit or loss	119,542	(64)	119,478	99,719	-	99,719
Re-measurement of post-employment benefit obligation	(79,027)	19,756	(59,271)	35,011	(8,753)	26,258
Share of other comprehensive income of associated companies	(564,835)	-	(564,835)	-	-	-
<b>Other comprehensive income</b>	<b>(521,587)</b>	<b>19,692</b>	<b>(501,895)</b>	<b>134,730</b>	<b>(8,753)</b>	<b>125,977</b>

Deferred income tax (Note 18)	19,692	(8,753)
	<u>19,692</u>	<u>(8,753)</u>

	The Group			The Company		
	Before Tax \$'000	Tax \$'000	After Tax \$'000	Before Tax \$'000	Tax \$'000	After Tax \$'000
<b>At 31 December 2012</b>						
Exchange differences on translating foreign operations	11,761	-	11,761	-	-	-
Fair value losses on available-for-sale financial assets, net of gains recycled to profit or loss	(76,243)	3,842	(72,401)	(51,010)	-	(51,010)
Re-measurement of post-employment benefit obligation	(23,216)	5,804	(17,412)	27,359	(6,840)	20,519
Share of other comprehensive income of associated companies	184,781	-	184,781	-	-	-
<b>Other comprehensive income</b>	<b>97,083</b>	<b>9,646</b>	<b>106,729</b>	<b>(23,651)</b>	<b>(6,840)</b>	<b>(30,491)</b>

Deferred income tax (Note 18)	9,646	(6,840)
	<u>9,646</u>	<u>(6,840)</u>

# Notes to the Financial Statements

Year ended 31 December 2013

(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. For the financial year the group had a weighted average of 1,019,000 (2012 - 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 2013 and 2012 financial years, there were no potentially dilutive ordinary shares.

	2013	2012
Net profit attributable to stockholders (\$'000)	2,491,106	2,086,930
Weighted average number of stock units in issue (thousands)	212,213	213,102
Basic and fully diluted earnings per stock unit (\$)	<u>\$11.74</u>	<u>\$9.79</u>

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

	2013 \$'000	2012 \$'000
<b>Net Profit</b>		
The company	415,384	503,076
Associated companies and joint venture	1,665,853	1,099,467
Subsidiaries	442,788	510,175
	<u>2,524,025</u>	<u>2,112,718</u>

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



# Notes to the Financial Statements

Year ended 31 December 2013

(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.

	<b>The Group</b>		<b>The Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash and bank balances	30,865	41,721	733	18,624
Deposits	139,885	896,092	15,139	734,068
Securities purchased under agreements to resell (Note 15)	252,209	862,757	12,650	525,999
Bank overdraft	(4,606)	-	(2,535)	-
	<u>418,353</u>	<u>1,800,570</u>	<u>25,987</u>	<u>1,278,691</u>
Less amounts with original terms to maturity over 90 day and hypothecated balances				
Deposits	-	(97,265)	-	-
Securities purchased under agreements to resell	(1,755)	(1,397)	(590)	(569)
Cash and cash equivalents	<u>416,598</u>	<u>1,701,908</u>	<u>25,397</u>	<u>1,278,122</u>

Security for the bank overdrafts includes certain specific investments. The effective interest rate on the overdraft facility was 14.65% (2012 – 16.4%).

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 14. Investment Securities

	The Group		The Company	
	2013	Restated 2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit and loss:				
Debt securities	106,947	-	-	-
Equity securities-quoted	502,335	112,057	-	-
	<u>609,282</u>	<u>112,057</u>	<u>-</u>	<u>-</u>
Available-for-sale at fair value:				
Debt securities -				
Government of Jamaica	79,899	105,272	5,117	4,511
Other Government	92,304	95,922	-	-
Corporate	363,073	134,660	198,858	134,660
Equity securities	<u>1,149,939</u>	<u>474,719</u>	<u>928,438</u>	<u>484,671</u>
	<u>1,685,215</u>	<u>810,573</u>	<u>1,132,413</u>	<u>623,842</u>
Loans and receivables	<u>237,451</u>	<u>270,543</u>	<u>437,915</u>	<u>457,350</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 \$15,141,000 and \$7,153,000 (2012 - \$14,805,000 and \$8,270,000) for the group and the company respectively.

Certain of the group's and company investment securities were impaired as at 31 December, for which impairment charges totaling \$34,033,000 (2012 - \$8,546,000) for the group and \$14,687,000 (2012 - \$8,546,000) for the company were recorded.

Loans and receivables for the group and the company were all with related parties and include interest receivable of \$10,618,000 (2012 - \$21,210,000) and \$13,914,000 (2012 - \$13,118,000) for the group and company respectively.

Equity investments held by the group with a value of US\$736,000 have been pledged as security for a margin loan (Note 23).

The current portion of investment securities was \$27,005,000 (2012 - \$15,848,000) for the group and \$21,084,000 (2012 - \$9,187,000) for the company.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 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.

## 16. Investment Properties

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
At 1 January	4,366,940	4,201,355	-	-
Improvements, net	13,068	3,238	-	-
Transferred from capital work-in-progress (Note 20)	5,250	9,547	-	-
Fair value gains (Note 6)	253,411	152,800	-	-
At 31 December	4,638,669	4,366,940	-	-

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

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Rental income (Note 6)	1,218,369	1,136,299	-	-
Direct costs (Note 8)	(599,672)	(571,249)	-	-

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.

The fair values of the investment property are at level 2 in the fair value hierarchy.

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 \$15,000,000. Should the discount rate increase/decrease by 1.0% the value of investment properties would increase/decrease by \$338,000,000.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture

### Investment in subsidiaries

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Subsidiary companies -				
Balance at 1 January	-	-	301,207	211,110
Liquidation			(580)	
Equity injection in a subsidiary during the year.	-	-	883	90,097
Balance at 31 December	-	-	301,510	301,207

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held. The parent company also owns 100% of the preference shares of the subsidiaries included in the consolidation.

The total non-controlling interest for the year was \$32,919,000 (2012 - \$ \$25,788,000), of which \$16,847,000, (2012 - \$19,566,000) was attributable to Scotts Preserves Limited and \$16,072,000 (2012 - \$2,372,000) to Knutsford Holdings Limited. During the year the group liquidated one of its subsidiaries which had non-controlling interest of \$3,850,000 at the end of 31 December 2012.

Summarised financial information for each material subsidiary that has a non-controlling interest

Summarised statement of financial position

	Knutsford Holding Limited		Scott's Preserves Limited	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Assets	15,674	26,127	30,289	17,609
Liabilities	(18,717)	(44,396)	(3,925)	(29,966)
<i>Total current net assets</i>	(3,043)	(18,269)	26,364	(12,357)
<b>Non-current</b>				
Assets	547,156	490,996	135,218	144,548
Liabilities	(44,404)	(9,801)	(2,033)	(3,066)
<i>Total non-current liabilities</i>	502,752	481,195	133,185	141,482
<b>Net assets</b>	499,709	462,926	159,549	129,125

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in subsidiaries (continued)

Summarised statement of comprehensive income

	<b>Knutsford Holding Limited</b>		<b>Scott's Preserves Limited</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	126,796	105,705	15,000	16,631
Interest income	3,837	4,804	24,748	23,850
Profit from continuing operations	44,582	14,274	35,577	69,573
Taxation expense	(4,383)	(8,317)	(9,417)	(9,459)
Post tax profit from continuing operations	40,179	5,957	35,079	60,114
Other comprehensive income	(250)	(370)	-	-
Total comprehensive income allocated to non-controlling interest	15,972	2,335	16,847	19,566
Dividends paid to non-controlling interest	-	24,000	-	-

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in subsidiaries (continued)

Summarised cash flows

	<b>Knutsford Holding Limited</b>		<b>Scott's Preserves Limited</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>				
Cash generated from operations	45,447	34,649	12,566	(614)
Interest paid	(11,888)	(11,888)	(200)	(2,121)
Income tax paid	(2,629)	(7,518)	(17,775)	(10,508)
Net cash generated from/(used in) operating activities	30,930	15,243	(5,409)	(13,243)
Net cash (used in)/provided by investing activities	(12,042)	5,958	33,111	(19,168)
Net cash used in financing activities	-	(60,000)	(16,072)	27,265
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>18,888</b>	<b>(38,799)</b>	<b>11,630</b>	<b>(5,146)</b>
Effect of exchange rate on cash and cash equivalent	436	-	968	-
Cash and cash equivalents at beginning of year	21,329	60,128	12,597	5,146
Cash and cash equivalents at end of year	40,653	21,329	-	-

The information above is the amount before inter-company eliminations.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in associated companies

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Associated companies -				
Sagikor Group Jamaica Limited				
Shareholding at cost	6,661,717	6,661,717	6,661,717	6,661,717
Share of profit	10,263,342	8,235,355	-	-
Dividends received	(3,674,288)	(3,181,188)	-	-
Share of reserves	(41,165)	523,670	-	-
Gain on dilution of holding	38,936	38,936	-	-
	<u>13,248,542</u>	<u>12,278,490</u>	<u>6,661,717</u>	<u>6,661,717</u>
Hardware and Lumber Limited				
Shareholding at cost	22,296	22,296	22,296	22,296
Share of profit/(loss)	106,246	(20,809)	-	-
Dividends received	(12,546)	(7,494)	-	-
Impairment loss	(85,071)	(85,071)	-	-
Share of capital reserves	155,684	155,684	-	-
	<u>186,609</u>	<u>64,606</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	64,583	45,501	-	-
Dividends received	(4,853)	-	-	-
	<u>237,253</u>	<u>223,024</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	(8,793)	(8,877)	-	-
	<u>(770)</u>	<u>(854)</u>	<u>-</u>	<u>-</u>
Caribe Hospitality Jamaica Limited				
Shareholding at cost	231,238	96,210	231,238	96,210
Share of loss	(17,532)	(9,423)	-	-
	<u>213,706</u>	<u>86,787</u>	<u>231,238</u>	<u>96,210</u>

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in associated companies (continued)

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Chukka Caribbean Adventures Limited				
Shareholding at cost	345,855	345,855	345,855	345,855
Share of profit	16,596	7,285	-	-
Dividends received	(18,327)	(6,293)	-	-
	<u>344,124</u>	<u>346,847</u>	<u>345,855</u>	<u>345,855</u>
	<u>14,229,464</u>	<u>12,998,900</u>	<u>7,438,629</u>	<u>7,303,601</u>
Comprising:				
Share of net assets	12,288,644	11,021,780	-	-
Intangibles assets (including goodwill)	1,940,820	1,977,120	-	-
	<u>14,229,464</u>	<u>12,998,900</u>	<u>-</u>	<u>-</u>

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

### Acquisition of additional investments in 2012

- On July 13, 2012 the company acquired approximately 300 million stock units of its associated company, Sagicor Group 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 are intangible assets valued at \$603,095,000 (2012 - \$639,395,000). Goodwill of \$164,386,000 forms part of this balance.
- 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 goodwill of \$156,962,000 and intangible assets valued at \$111,677,000.
- On May 25, 2012 the company subscribed for a 35% shareholding in Caribe Hospitality Jamaica Limited (a startup entity) for total commitment of \$383,576,000 of which \$135,028,000 was paid in 2013 (2012 - \$96,210,000) and \$152,338,000 is due in 2014.



# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in associated companies (continued)

The summarised information for associates that were accounted for using the equity method for the years ended 31 December 2013 and 2012 is as presented in the tables below. The summarized financial information reflects balances which are due to the equity holders of the companies.

Summarised statement of financial position

	Sagicor Group Jamaica Limited	Hardware & Lumber Limited	New Castle Company Limited	Chukka Caribbean Adventures Limited	Caribe Hospitality Jamaica Limited
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2013</b>					
<b>Current</b>					
Cash and cash equivalents	4,082,363	417,891	46,475	62,055	21,380
Other current assets	6,889,598	1,751,617	436,332	437,050	111,858
<i>Total current assets</i>	<i>10,971,961</i>	<i>2,169,508</i>	<i>482,807</i>	<i>499,105</i>	<i>133,238</i>
Financial liabilities (excluding trade payables)	(89,041,679)	(155,101)	(7,043)	(83,061)	-
Other current liabilities (including trade payables)	(7,109,330)	(959,032)	(118,558)	(240,108)	(69,063)
<i>Total current liabilities</i>	<i>(96,151,009)</i>	<i>(1,114,133)</i>	<i>(125,601)</i>	<i>(323,169)</i>	<i>(69,063)</i>
<b>Non-current</b>					
<i>Assets</i>	<i>187,338,336</i>	<i>675,339</i>	<i>784,795</i>	<i>1,669,832</i>	<i>601,826</i>
Financial liabilities	(64,538,448)	(228,430)	(173,615)	(1,063,337)	-
Other liabilities	(1,695,004)	(325,562)	(19,376)	-	-
<i>Total non-current liabilities</i>	<i>(66,233,452)</i>	<i>(553,992)</i>	<i>(192,991)</i>	<i>(1,063,337)</i>	
<b>Net assets</b>	<b>35,925,836</b>	<b>1,176,722</b>	<b>949,010</b>	<b>782,431</b>	<b>666,001</b>

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in associated companies (continued)

Summarised statement of financial position (continued)

	Sagikor Group Jamaica Limited	Hardware & Lumber Limited	New Castle Company Limited	Chukka Caribbean Adventures Limited	Caribe Hospitality Jamaica Limited
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>					
<b>Current</b>					
Cash and cash equivalents	4,243,828	205,935	67,341	108,223	5,761
Other current assets	7,532,340	1,594,708	439,249	347,999	204
<b>Total current assets</b>	<b>11,776,168</b>	<b>1,800,643</b>	<b>506,590</b>	<b>456,222</b>	<b>5,965</b>
Financial liabilities (excluding trade payables)	(82,303,837)	(183,333)	(8,528)	(128,319)	-
Other current liabilities (including trade payables)	(5,078,834)	(696,365)	(153,539)	(357,741)	(111,776)
<b>Total current liabilities</b>	<b>(87,382,671)</b>	<b>(879,698)</b>	<b>(162,067)</b>	<b>(486,060)</b>	<b>(111,776)</b>
<b>Non-current</b>					
<b>Assets</b>	<b>162,755,748</b>	<b>821,158</b>	<b>719,314</b>	<b>1,372,046</b>	<b>358,000</b>
Financial liabilities	(52,534,411)	(372,629)	(165,523)	(683,479)	-
Other liabilities	(1,759,281)	(684,986)	(6,218)	-	-
<b>Total non-current liabilities</b>	<b>(54,293,692)</b>	<b>(1,057,615)</b>	<b>(171,741)</b>	<b>(683,479)</b>	<b>-</b>
<b>Net assets</b>	<b>32,855,553</b>	<b>684,488</b>	<b>892,096</b>	<b>658,729</b>	<b>252,189</b>

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in associated companies (continued)

Summarised statement of comprehensive income (continued)

	Sagicor Group Jamaica Limited	Hardware & Lumber Limited	New Castle Company Limited	Chukka Caribbean Adventures Limited	Caribe Hospitality Jamaica Limited
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2013</b>					
Revenue	42,296,097	6,810,599	450,049	2,367,045	-
Depreciation and amortisation	254,220	(47,755)	(25,613)	139,558	-
Net investment/Interest income	8,784,969	22,448	6,466	-	-
Profit/(loss) from continuing operations	7,014,463	817,717	81,527	90,970	(22,842)
Taxation expense	(561,773)	(207,754)	-	-	-
Minority interest	(154,755)	-	-	-	-
Post tax profit/(loss) from continuing operations	6,297,935	609,963	81,527	90,970	(22,842)
Other comprehensive income	(1,840,855)	(93,774)	-	-	-
Total comprehensive income)	4,457,080	516,189	81,527	90,970	(22,842)
Total comprehensive income allocated to non-controlling interest	(89,268)	-	-	-	-
Dividend paid to non-controlling interest	(121,311)	-	-	-	-
Dividends received from associate	493,100	5,052	4,853	12,034	-
<b>2012</b>					
Revenue	35,507,391	6,284,052	370,549	1,152,359	-
Depreciation and amortisation	269,127	(56,264)	(11,798)	85,108	-
Net investment income/Interest income	9,529,379	15,457	-	-	-
Profit /loss from continuing operations	6,916,749	125,392	8,188	36,425	(26,551)
Taxation expense	(855,217)	(122,580)	-	-	-
Minority interest	(196,958)	-	-	-	-
Post tax profit/loss from continuing operations	5,864,574	2,812	8,188	36,425	(26,551)
Other comprehensive income	597,844	68,209	-	-	-
Total comprehensive income	6,462,418	71,021	8,188	36,425	(26,551)
Total comprehensive income allocated to non-controlling interest	(96,432)	-	-	-	-
Dividend paid to non-controlling interest	(105,495)	-	-	-	-
Dividends received from associate	606,474	2,105	-	6,293	-

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in associated companies (continued)

#### Reconciliation of summarised financial information

A reconciliation of summarised financial information presented to the carrying amount of its interest in associates is shown in the table below. The amounts shown in the table are the amounts attributable to the equity holders of the associated companies.

	Sagicor Group Jamaica Limited	Hardware & Lumber Limited	New Castle Company Limited	Chukka Caribbean Adventures Limited	Caribe Hospitality Jamaica Limited
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2013</b>					
Opening net assets at 1 January	32,855,553	684,488	892,096	658,729	252,189
Capital contributions	-	-	-	-	400,589
Profit or loss for the period	6,297,935	609,963	81,527	90,970	(22,842)
Other comprehensive income	(1,279,623)	(93,774)	-	-	-
Change in reserves	(443,633)	298	-	-	36,065
Dividends paid	(1,504,396)	(24,253)	(24,613)	(65,502)	-
Translation gains	-	-	-	98,234	-
Closing net assets at 31 December	35,925,836	1,176,722	949,010	782,431	666,001
Interest in associate (%)	32.78%	20.8%	25%	20%	36%
Interest in associate (J\$)	11,776,402	244,758	237,253	156,486	239,760
Adjustment for pre-acquisition goodwill	(200,041)	-	-	(53,538)	-
Impairment	-	(85,071)	-	-	-
Other adjustments	-	26,922	-	(27,463)	(26,054)
Goodwill	1,672,181	-	-	268,639	-
Carrying value	13,248,542	186,609	237,253	344,124	213,706

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in associated companies (continued)

	Sagicor Group Jamaica Limited	Hardware & Lumber Limited	New Castle Company Limited	Chukka Caribbean Adventures Limited	Caribe Hospitality Jamaica Limited
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2012</b>					
Opening net assets at 1 January	28,410,615	622,855	883,908	598,388	-
Capital contribution	-	-	-	-	278,740
Profit or loss for the period	5,864,574	2,812	8,188	36,425	(26,551)
Other comprehensive income	(179,676)	68,209	-	-	-
Change in reserves	866,196	717	-	-	-
Dividends paid	(2,106,156)	(10,105)	-	(34,706)	-
Translation gain	-	-	-	58,622	-
Closing net assets at 31 December	32,855,553	684,488	892,096	658,729	252,189
Interest in associate (%)	32.78%	20.8%	25%	20%	36%
Interest in associate (J\$)	10,770,050	142,579	223,024	131,746	90,788
Adjustment for pre-acquisition goodwill	(200,041)	-	-	(53,538)	-
Impairment	-	(85,071)	-	-	-
Other adjustments	-	7,098	-	-	(4,001)
Goodwill	1,708,481	-	-	268,639	-
Carrying value	12,278,490	64,606	223,024	346,847	86,787

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in Joint Venture

Through its subsidiary Scotts Preserves Limited, the group owns 50% of Mavis Bank Coffee Factory Limited, a company that processes and sells Jamaican Blue Mountain coffee.

There are no contingent liabilities relating to the group's interest in joint venture.

The company's investment in joint venture is as follows:

	<b>2013</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2012</b>
		<b>\$'000</b>
Shareholding at cost	15,568	15,568
Share of profit	60,913	55,372
	<u>76,481</u>	<u>70,940</u>

The summarised information for associates that were accounted for using the equity method for the years ended 31 December 2013 and 2012 is as follows:

Summarised statement of financial position

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Cash and cash equivalents	3,884	46,344
Other current assets	432,507	381,906
<i>Total current assets</i>	<u>436,391</u>	<u>428,250</u>
Financial liabilities (excluding trade payables)	230,257	193,958
Other current liabilities (including trade payables)	85,538	135,295
<i>Total current liabilities</i>	<u>315,795</u>	<u>329,253</u>
<b>Non-current</b>	329,505	285,708
<b>Assets</b>		
Financial liabilities	4,269	9,286
Other liabilities	292,849	233,538
<i>Total non-current liabilities</i>	<u>297,118</u>	<u>242,824</u>
<b>Net assets</b>	<u>152,983</u>	<u>141,881</u>

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 17. Investment in Subsidiaries, Associated Companies and Joint Venture (Continued)

### Investment in Joint Venture (continued)

Summarised statement of comprehensive income

	2013 \$'000	2012 \$'000
Revenue	803,110	726,743
Depreciation and amortisation	17,594	11,864
Interest income	229	408
Post tax profit from continuing operations	11,081	93,864

### Reconciliation of summarised financial information

A reconciliation of summarised financial information presented to the carrying amount of its interest in joint venture is shown in the table below

	2013 \$'000	2012 \$'000
Opening net assets at 1 January	141,881	48,017
Profit or loss for the period	11,081	93,864
Closing net assets at 31 December	152,962	141,881
Interest in joint venture (%)	50%	50%
Carrying value	76,481	70,940

# Notes to the Financial Statements

Year ended 31 December 2013

(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%.

During the 2013/13 budget presentation, the Government of Jamaica announced a reduction in the corporate income tax rate for unregulated entities, from 33 1/3 to 25%, effective 1 January 2013. An unregulated entity is defined as an entity not regulated by the Financial Services Commission, Bank of Jamaica, Ministry of Finance & Planning or the Office of Utilities Regulation. The change in the tax rate was signed into law on 28 December 2012 and as such was applied in determining the amount for deferred taxation in the financial statements for the year ended 31 December 2012.

On 12 February 2013, the Minister of Finance and Planning announced in Parliament that a surtax of 5% would be imposed on the taxable income of "large unregulated companies" effective from 1 April 2013. This represents an addition to the 25% tax rate levied as at 1 January 2013. The additional tax was imposed by order under the Provisional Collection of Tax Act and was confirmed by Act 21 of August 2013, which amended the Income Tax Act. The amendment imposed a tax rate of 30% on the income of a large unregulated company with effect from 1 April 2013.

During the year, the Government of Jamaica continued its reform of taxes. As a result of this, a Fiscal Incentives Act dated 20 December 2013 was signed into law. Under this Act the rate for "large unregulated companies" was reduced from 30% to 25% effective 1 January 2014. Consequently, a rate of 25% was applied in determining the amounts for deferred tax in the financial statements for the year ended 31 December 2013.

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

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	17,497	336	55,554	13,708
Deferred tax liabilities	(31,547)	(67,134)	(38,163)	(16,958)
Net (liability)/asset	(14,050)	(66,798)	17,391	(3,250)

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

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January, as restated	(66,798)	(142,561)	(3,250)	(25,693)
Tax credited to income statement (Note 11)	33,056	66,117	29,394	29,283
Tax (charged)/credited to components of other comprehensive income (Note 11)	19,692	9,646	(8,753)	(6,840)
Balance at 31 December	(14,050)	(66,798)	17,391	(3,250)



# Notes to the Financial Statements

Year ended 31 December 2013

(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	Unrealised Foreign Exchange Loss \$'000	Other \$'000	
<b>Deferred income tax assets</b>							
At 1 January 2012, as previously stated	20,875	6,030	17,376	1,473	-	2,644	48,398
Effect of restatement	21,891	-	-	-	-	-	21,891
<b>At 1 January 2012, as restated</b>	42,766	6,030	17,376	1,473	-	2,644	70,289
Charged/(credited) to the income statement	7,766	146	(3,358)	-	-	5,085	9,639
<b>At 31 December 2012</b>	50,532	6,176	14,018	1,473	-	7,729	79,928
Credited to the income statement	20,938	4,933	2,993	797	31,115	550	61,326
Credited to other comprehensive income	19,756	-	-	-	-	-	19,756
<b>At 31 December 2013</b>	91,226	11,109	17,011	2,270	31,115	8,279	161,010

	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	
<b>Deferred income tax liabilities</b>							
At 1 January 2012, as previously stated	248	15,542	141,965	6,506	26,317	22,546	213,124
Effect of restatement	-	(274)	-	-	-	-	(274)
<b>At 1 January 2012, as restated</b>	248	15,268	141,965	6,506	26,317	22,546	212,850
Charged/(credited) to the income statement	27	(407)	(24,801)	5,050	(22,115)	(14,232)	(56,478)
Credited to other comprehensive income	-	(5,804)	-	-	-	(3,842)	(9,646)
<b>At 31 December 2012</b>	275	9,057	117,164	11,556	4,202	4,472	146,726
Charged/(credited) to the income statement	235	(158)	1,540	132	26,226	295	28,270
Charged to other comprehensive income	-	-	-	-	-	64	64
<b>At 31 December 2013</b>	510	23,292	118,704	11,688	30,428	4,831	175,060

# Notes to the Financial Statements

Year ended 31 December 2013

(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 \$'000	Interest Payable \$'000	Other \$'000	Unrealised foreign exchange losses \$'000	Stock compensation provision \$'000
					Total \$'000
<b>Deferred income tax assets</b>					
At 1 January 2012, as previously stated	9,383	1,407	15	-	3,191
Effect of restatements	333	-	-	-	-
At 1 January 2012, as restated	9,716	1,407	15	-	3,191
Credited/(charged) to income statement	682	(919)	5	-	(389)
At 31 December 2012	10,398	488	20	-	2,802
Credited to income statement	16,019	5,791	30	27,512	1,247
Charged to statement of comprehensive income	(8,753)	-	-	-	-
At 31 December 2013	17,664	6,279	50	27,512	4,049

	The Company				
	Property, plant and equipment \$'000	Pension benefits \$'000	Interest receivable \$'000	Unrealised foreign exchange gains \$'000	Total \$'000
<b>Deferred income tax liabilities</b>					
At 1 January 2012, as previously stated	248	15,542	4,267	20,239	40,296
Effect of restatement		(274)			(274)
At 1 January 2012	248	15,268	4,267	20,239	40,022
Charged/(credited) to the income statement	26	(13,051)	1,037	(17,916)	(29,904)
Charged to statement of comprehensive income	-	6,840	-	-	6,840
At 31 December 2012	274	9,057	5,304	2,323	16,958
Charged/(credited) to income statement	237	(158)	1,624	19,502	21,205
At 31 December 2013	511	8,899	6,928	21,825	38,163

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

Year ended 31 December 2013

(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	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Deferred tax assets to be recovered after more than 12 months	108,237	64,550	21,713	13,200
Deferred tax assets to be recovered within 12 months	52,773	15,378	33,841	508
	<u>161,010</u>	<u>79,928</u>	<u>55,554</u>	<u>13,708</u>
Deferred tax liabilities to be settled after more than 12 months	127,603	126,221	8,899	9,057
Deferred tax liabilities to be settled within 12 months	47,457	20,505	29,264	7,901
	<u>(175,060)</u>	<u>(146,726)</u>	<u>(38,163)</u>	<u>(16,958)</u>
Net (liability)/assets	<u>(14,050)</u>	<u>(66,798)</u>	<u>17,391</u>	<u>(3,250)</u>

## 19. Prepayment and Miscellaneous Assets

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade receivables	32,462	49,315	-	-
Inventories	2,246	3,916	-	-
Managed properties fees receivable	33,402	15,436	-	-
Prepaid expenses	45,802	37,572	11,858	15,212
Other receivables	140,780	98,735	8,441	19,860
Deposits	28,076	28,064	28,076	28,064
Land awaiting development	701,788	380,233	-	-
	<u>984,556</u>	<u>613,271</u>	<u>48,375</u>	<u>63,136</u>

The current portion of miscellaneous assets amounted to \$271,857,000 (2012 - \$218,359,000) for the Group and \$39,682,000 (2012 - \$52,373,000) for the company.

Included in other receivables are amounts due from related parties totaling \$18,708,000 (2012 - \$32,337,000) for the group and \$1,233,000 (2012 - \$14,862,000) for the company.

Land awaiting development comprises properties owned by the group, on which the group intends to develop family dwellings for resale.

# Notes to the Financial Statements

Year ended 31 December 2013

(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
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost -							
	1 January 2012	65,964	14,325	256,028	17,911	53,690	12,564
	Additions	-	-	15,225	4,369	3,375	12,989
	Disposals	-	-	(2,235)	-	(3,225)	(228)
	Transfers	16	-	363	-	-	(9,910)
	31 December 2012	65,964	14,325	269,381	22,280	53,840	15,415
	Additions	-	-	5,161	-	11,613	13,324
	Disposals	-	-	-	-	(22,568)	-
	Transfers	16	-	-	-	-	(5,250)
	31 December 2013	65,964	14,325	274,542	22,280	42,885	23,489
Accumulated Depreciation -							
	1 January 2012	8,645	9,711	21,802	4,877	19,061	-
	Charged for year	723	-	10,703	734	11,469	-
	Relieved on disposal	-	-	-	-	(1,215)	-
	31 December 2012	9,368	9,711	32,505	5,611	29,315	-
	Charged for year	723	-	14,516	874	12,283	-
	Relieved on disposal	-	-	-	-	(10,264)	-
	31 December 2013	10,091	9,711	47,021	6,485	31,334	-
Net Book Value -							
	31 December 2013	55,873	4,614	227,521	15,795	11,551	23,489
	31 December 2012	56,596	4,614	236,876	16,669	24,525	15,415

# Notes to the Financial Statements

Year ended 31 December 2013

(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 2012	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
Additions	-	3,244	-	-	3,244
Disposal	-	-	-	(12,360)	(12,360)
31 December 2013	199	9,552	12,194	16,099	38,044
Accumulated Depreciation -					
1 January 2012	199	3,875	7,311	4,329	15,714
Charged for the year	-	63	733	5,500	6,296
31 December 2012	199	3,938	8,044	9,829	22,010
Charged for the year	-	318	874	5,088	6,280
Relieved on disposal	-	-	-	(7,005)	(7,005)
31 December 2013	199	4,256	8,918	7,912	21,285
Net Book Value -					
31 December 2013	-	5,296	3,276	8,187	16,759
31 December 2012	-	2,370	4,150	18,630	25,150

# Notes to the Financial Statements

Year ended 31 December 2013

(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 2013.

The Trustees are responsible for reviewing the investment portfolio mix of the plans to ensure that the assets are invested efficiently whilst maintaining the prescribed limits as set by the Regulator, within each portfolio class. The Trustees also ensures that the funding contributions are within acceptable levels.

The amounts recognised in the statement of financial position comprise:

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Assets	-	-	70,657	41,593
Liabilities				
Funded pension obligations (Note 21(a))	135,915	54,162	-	-
Unfunded pension obligations (Note 21(b))	391	11,240	391	11,240
Other (Note 21(c))	122,881	89,772	35,206	24,987
	<u>259,187</u>	<u>155,174</u>	<u>35,597</u>	<u>36,227</u>

The expense recognised in the income statement comprise:

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Pension obligations - funded (Note 21(a))	31,033	19,498	7,248	6,057
Pension obligations – unfunded (Note 21(b))	1,068	1,091	1,068	1,091
Other post-employment obligations:				
Medical and life insurance (Note 21(c))	13,916	13,975	3,063	3,819
	<u>46,017</u>	<u>34,564</u>	<u>11,379</u>	<u>10,967</u>

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefits (Continued)

### (a) Funded pension obligations

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

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Present value of funded obligations	697,312	484,449	189,005	138,529
Fair value of plan assets	(755,691)	(644,913)	(453,956)	(394,748)
	(58,379)	(160,464)	(264,951)	(256,219)
Unrecognised asset due to asset ceiling	194,294	214,626	194,294	214,626
Liability/(asset) in the statement of financial position	135,915	54,162	(70,657)	(41,593)

Sagicor Group Jamaica Limited, an associated company which manages the group's pension fund assets, has invested through its pooled investment funds in ordinary stock units of the company with a fair value of \$1,304,997,000 (2012 – \$1,355,207,000).

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

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Balance at beginning of year, as restated	484,449	377,901	138,529	121,700
Current service cost	19,610	13,417	3,724	2,353
Interest cost	44,550	32,744	12,234	9,899
	548,609	424,062	154,487	133,952
Re-measurements -				
Loss from change in demographic assumptions	65,562	-	22,177	-
Loss/(gain) from change in financial assumptions	109,114	(28,228)	21,003	(5,653)
Experience (gains)/losses	(18,522)	91,873	(698)	18,867
	156,154	63,645	42,482	13,214
Members' contributions	15,057	12,292	2,776	2,064
Benefits paid	(22,508)	(19,018)	(10,740)	(10,701)
Purchased annuities	-	3,468	-	-
Balance at end of year	697,312	484,449	189,005	138,529

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefits (Continued)

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

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2013</b>	<b>Restated</b>	<b>2013</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2012</b>	<b>\$'000</b>	<b>2012</b>
		<b>\$'000</b>		<b>\$'000</b>
Balance at beginning of year	644,913	594,419	394,748	375,255
Interest income	18,365	15,065	18,365	15,065
Re-measurements -				
Return on plan assets, excluding amounts included in interest income	35,980	31,848	11,563	11,380
Gain from change in demographic assumption	16,199	-	13,983	-
Gain/(loss) from change in financial assumptions	7,099	(3,493)	5,261	(2,717)
Experience gains/(losses)	24,390	(3,098)	15,324	2,483
Members' contributions	15,057	12,292	2,776	2,064
Employer's contributions	16,196	13,430	2,676	1,919
Benefits paid	(22,508)	(19,018)	(10,740)	(10,701)
Purchased annuities	-	3,468	-	-
Balance at end of year	<u>755,691</u>	<u>644,913</u>	<u>453,956</u>	<u>394,748</u>

The actual return on plan assets for 2013 was \$110,566,000 and \$69,028,000 (2012 – \$47,913,000 and \$30,480,000) for the group and the company, respectively.

The expected contributions for the year 2014 are \$33,193,000 for the group and \$5,949,000 for the company.

The movement on the asset ceiling during the year is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2013</b>	<b>Restated</b>	<b>2013</b>	<b>Restated</b>
	<b>\$'000</b>	<b>2012</b>	<b>\$'000</b>	<b>2012</b>
		<b>\$'000</b>		<b>\$'000</b>
Balance at beginning of year	214,626	225,403	214,626	225,403
Change in asset ceiling, excluding amounts included in interest expense	20,153	19,159	20,153	19,159
Re-measurement	(40,485)	(29,936)	(40,485)	(29,936)
	<u>194,294</u>	<u>214,626</u>	<u>194,294</u>	<u>214,626</u>



# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefits (Continued)

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

The amounts recognised in the income statement are as follows:

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Current service cost	19,610	13,417	3,724	2,353
Interest cost	11,423	6,081	3,524	3,704
Total	31,033	19,498	7,248	6,057

The principal actuarial assumptions used were as follows:

	The Group		The Company	
	2013	2012	2013	2012
	%	%	%	%
Discount rate	9.5	10.5	9.5	10.5
Expected return on plan assets	8.3	9.3	8.3	9.3
Future salary increases	7.5	7.8	7.3	7.5
Future pension increases	3.5	4.2	3.5	4.2

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefits (Continued)

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

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on Post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	1%	(118,848)	153,670
Future salary increases	1%	48,834	(41,837)
Expected medical inflation	1%	(19,512)	25,267
		Increase Assumption by One Year	Decrease Assumption by One Year
Life expectancy		13,914	(13,914)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefits (Continued)

### (b) Unfunded pension obligations

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

	<b>The Group and Company</b>	
	<b>2013</b>	<b>Restated 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligations	391	11,240

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

	<b>The Group and Company</b>	
	<b>2013</b>	<b>Restated 2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of year	11,240	13,622
Current service cost	1,068	1,091
	12,308	14,713
Re-measurements -		
Loss from change in demographic assumptions	61	-
Loss from change in financial assumptions	19	(324)
Experience gains	(11,997)	(1,534)
	(11,917)	(1,858)
Benefits paid	-	(1,615)
Balance at end of year	391	11,240

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefits (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 (2012 – 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	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	122,881	89,772	35,206	24,987

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

	The Group		The Company	
	2013	Restated 2012	2013	Restated 2012
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	89,772	94,309	24,987	32,186
Benefit expense	6,096	6,462	1,971	2,455
Re-measurement recognised in OCI	13,645	2,814	6,917	(3,335)
Employers contribution	(1,620)	(1,436)	(1,620)	(1,436)
Re-measurements -				
Loss from change in demographic assumptions	15,899	-	2,270	-
Loss/(gain) from change in financial assumptions	22,388	(5,699)	1,967	(602)
Experience gains	(21,211)	(4,826)	(646)	(3,713)
Benefits paid	(2,088)	(1,852)	(640)	(568)
Balance at end of year	122,881	89,772	35,206	24,987

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefits (Continued)

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

The expense recognised in the income statement is as follows:

	The Group		The Company	
	2013 \$'000	Restated 2012 \$'000	2013 \$'000	Restated 2012 \$'000
Current service cost	4,680	4,523	555	516
Interest cost	9,236	9,452	2,508	3,303
Total, included in staff costs (Note 9)	13,916	13,975	3,063	3,819

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	43,104	2,417
Effect on the defined benefit obligation	(118,848)	153,670

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefit (Continued)

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

		The Group			
		2013		2012	
		\$'000	%	\$'000	%
Equity		44,410	6	29,053	5
Debt		189,141	25	357,584	55
Other		522,140	69	258,276	40
		<u>755,691</u>	<u>100</u>	<u>644,913</u>	<u>100</u>
		The Company			
		2013		2012	
		\$'000	%	\$'000	%
Equity		26,708	4	19,778	5
Debt		125,830	53	220,584	56
Other		301,418	43	154,386	39
		<u>453,956</u>	<u>100</u>	<u>394,748</u>	<u>100</u>

# Notes to the Financial Statements

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

## 21. Retirement Benefits (Continued)

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will reduce the surplus or create a deficit with respect to the net assets available for benefits.

As the plan matures, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds largely represent investments in Government of Jamaica securities.

However, the Group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the group's long term strategy to manage the plans efficiently. See below for more details on the Group's asset-liability matching strategy.

### Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

### Inflation risk

Higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). A high percentage of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will reduce the surplus or create a deficit.

### Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 21. Retirement Benefits (Continued)

The group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The group has not changed the processes used to manage its risks from previous periods. The group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consists of bonds and equities.

Funding levels are monitored on an annual basis and the current contribution rates are between 2% and 10% of pensionable salaries. The next triennial valuations are due to be completed with respect to the periods ended and ending 31 December 2013 and 31 December 2014 respectively. The group considers the contribution rates to be sufficient to prevent a deficit and that the plans are adequately funded.

## 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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Amounts due from related parties:				
Subsidiaries:				
Busha Browne's Company Limited	-	-	11,326	10,589
Portfolio Partners Limited	-	-	97,740	-
Castleton Investments Limited	-	-	564,068	31,851
Jamaica Property Company Limited	-	-	-	438
Jamaica Property Development Limited	-	-	5	3,744
Scott's Preserves Limited	-	-	-	16,957
	-	-	673,139	63,579
Amounts due to related parties:				
Employees Share Purchase Plan	-	-	1,779	154,985
Subsidiaries:				
Jamaica Property Company Limited	-	-	22,399	-
Portfolio Partners Limited	-	-	-	60,192
Panacea Holdings Limited	-	-	9,515	2,234
	-	-	33,693	217,411
Net asset/(liability)	-	-	639,446	(153,832)

The current portion of amounts due from related parties was \$16,956,000 (2012 - \$nil) and to related parties was \$60,192,000 (2012 - \$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



# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

miscellaneous assets" respectively.

## 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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Subsidiaries -				
Management fees received	-	-	32,822	35,628
Interest income	-	-	95,297	89,061
Interest paid	-	-	(1,355)	(2,052)
Bad debt written off	-	-	-	(90,921)
Dividends received	-	-	88,801	19,200
Associated companies -				
Dividends income	-	-	515,014	614,872
Other related parties -				
Rental income	104,499	94,301	-	-
Interest and other income earned	5,735	16,851	2,990	16,070
Interest and other expenses incurred	(1,266)	(3,836)	(1,266)	(1,053)
Other expenses	(15,306)	(13,068)	(7,358)	(7,189)

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

(c) Key management compensation:

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Salaries and other short-term employee benefits	97,299	80,923	37,651	36,089
Statutory contributions	9,107	6,489	3,542	3,055
Post-employment benefits	14,848	688	2,607	(2,869)
Share-based compensation	13,601	-	6,620	-
	<u>134,855</u>	<u>88,100</u>	<u>50,420</u>	<u>36,275</u>
Directors emoluments				
Fees	13,410	10,917	13,410	10,917
Other	-	17,443	-	17,443
Management compensation (included above)	<u>48,204</u>	<u>29,712</u>	<u>24,569</u>	<u>11,869</u>
	<u>61,614</u>	<u>58,072</u>	<u>37,979</u>	<u>40,229</u>

(d) Loans from related parties

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	22,065	17,855	5,329	8,267
New loans	-	69,322	-	-
Repayments	(14,821)	(65,112)	(3,422)	(2,938)
Interest charged	1,266	2,307	1,266	1,054
Interest paid	<u>(1,266)</u>	<u>(2,307)</u>	<u>(1,266)</u>	<u>(1,054)</u>
	<u>7,244</u>	<u>22,065</u>	<u>1,907</u>	<u>5,329</u>

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 23. Loan Liabilities

				The Group	
	Currency	Rate	Repayable	2013	2012
		%		\$'000	\$'000
Secured -					
(i) CIBC First Caribbean International Bank Limited	J\$	10.50	2017	41,055	49,311
(ii) CIBC First Caribbean International Bank Limited	J\$	10.50	2020	26,036	-
(iii) Sagicor Bank Jamaica Ltd	J\$	13.25	2014	1,907	5,329
(iv) Sagicor Bank Jamaica Ltd	J\$	13.25	2016	5,337	7,666
(v) Commercial Notes	J\$	9.25	2014	596,472	590,425
(vi) Commercial Notes	J\$	9.75	2015	742,021	736,982
(vii) Commercial Notes	J\$	10.50	2017	1,133,387	1,128,751
(viii) International Finance Corporation	US\$	6.59	2019	398,916	403,155
(ix) International Finance Corporation	US\$	4.36	2019	1,219,806	1,151,873
(x) Commercial Note	US\$	6.25	2015	159,567	-
(xi) Merrill Lynch International Bank Ltd	US\$	2.00	2014	44,401	-
Unsecured -					
(xii) JN Properties Limited	J\$	Variable	No fixed date	13,586	13,586
(xiii) Sagicor Bank Jamaica Limited	US\$	7.42	2013	-	9,070
				4,382,491	4,096,148
Interest payable				149,865	116,578
				4,532,356	4,212,726

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 23. Loan Liabilities (Continued)

				The Company	
	Currency	Rate %	Repayable	2013 \$'000	2012 \$'000
Secured -					
(iii) Sagicor Bank Jamaica Ltd	J\$	13.25	2014	1,907	5,329
(v) Commercial Notes	J\$	9.25	2014	596,472	590,425
(vi) Commercial Notes	J\$	9.75	2015	742,021	736,982
(vii) Commercial Notes	J\$	10.50	2017	1,133,387	1,128,751
(ix) International Finance Corporation	US\$	4.36	2019	1,219,806	1,151,873
				3,693,593	3,613,360
Interest payable				135,813	103,701
				3,829,406	3,717,061

The current portion of loan liabilities amounted to \$1,121,992,000 (2012 - \$284,347,000) for the group and \$927,808,000 (2012 - \$195,725,000) 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 2013 was \$28,120,000 (\$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 6.35% (2012 – prime minus 1.75%). The loan is secured by a first mortgage over commercial lots 195 – 198 (inclusive) located at 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 loan was issued by CIBC FirstCaribbean International Bank Limited (FCIB) to assist with elevator equipment upgrade. Interest on this loan is charged at FCIB's base rate less 6.35%. The loan is secured by a first mortgage over commercial lots 187 – 194 (inclusive) located at Grenada Crescent, New Kingston and lots 238 – 245 (inclusive) located at 31 – 37 Barbados Avenue, New Kingston. The loan is scheduled to be repaid by 2020, but is repayable on demand, should such a request be made by the bank.
- (iii) 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 13.25% per annum. The loan is secured by a motor vehicle and is scheduled to be repaid in 2014.
- (iv) 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 13.25% per annum. The loan is secured by a motor vehicle and is scheduled to be repaid by 2016.

# Notes to the Financial Statements

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

## 23. Loan Liabilities (Continued)

- (v) This represents the carrying value of certain secured notes issued by the group and company in 2013 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 Group Jamaica Limited shares owned by the group.
- (vi) This represents the carrying value of certain secured notes issued by the company in 2013 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 Group Jamaica Limited shares owned by the group.
- (vii) This represents the carrying value of certain secured notes issued by the company in 2013 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 was fixed for the first six months at 8.75% per annum, following which the rate is 2.25% above the weighted average yield of the six month Government of Jamaica Treasury Bill issued in the month prior to interest payment. At December 31, 2013 the interest rate was 10.50%. The notes are secured by certain Sagicor Group Jamaica Limited shares owned by the group.
- (viii) 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.
- (ix) 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 began July 2013 with the first of thirteen semi-annual instalments.
- (x) This represents a US\$1,500,000 commercial note issued by a subsidiary to assist with the purchase of real estate, bearing interest at a rate of 6.25% per annum. Repayment will be made in three annual instalments starting February 2014.
- (xi) This represents a US\$420,000 margin loan from Merrill Lynch International Bank Limited. Interest is charged at a rate of 2% per annum. The loan is secured by equities valued at US\$736,000 at December 31, 2013, and is repayable on demand.
- (xii) 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.
- (xiii) This represented the balance on a US\$782,000 unsecured loan to finance insurance premiums. Interest was charged at an effective rate of 7.42% per annum. The balance was paid in 2013.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 24. Finance Lease Liabilities

The finance lease obligations are as follows:

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments under finance leases:				
Not later than 1 year	7,439	5,710	1,200	1,200
Later than 1 year and not later than 5 years	9,687	11,398	3,300	4,300
	17,126	17,108	4,500	5,500
Future finance charges	(2,598)	(3,309)	(917)	(1,290)
Present value of finance lease obligations	14,528	13,799	3,583	4,210

The present value of the lease obligations is as follows:

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	5,881	3,817	778	681
Later than 1 year and not later than 5 years	8,647	9,982	2,805	3,529
	14,528	13,799	3,583	4,210

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

## 25. Other Liabilities

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Promissory note – managed funds	27,458	27,880	27,458	27,880
Other liabilities and accrued expenses	207,585	182,752	21,022	46,833
Trade payables	25,834	11,180	-	-
Accounts payable	23,697	22,210	23,697	22,207
	284,574	244,022	72,177	96,920

The current portion of other liabilities amounted to \$240,083,000 (2012 - \$230,746,000) for the group and \$72,177,000 (2012 - \$96,920,000) for the company.

# Notes to the Financial Statements

Year ended 31 December 2013

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## 26. Share Capital

	2013	2012
	No.	No.
	'000	'000
Authorised share capital of no par value -		
Ordinary shares	250,000	250,000
	<u>\$'000</u>	<u>\$'000</u>
Issued and fully paid -		
213,231,793 stock units	2,141,985	2,141,985
	<u></u>	<u></u>

## 27. Share Based Compensation

In 2013, the company established the Long Term Incentive Plan ("LTIP") to replace the previous 2006 Executive Share Option Scheme. The company has reserved 7.5% of its authorized share capital for issue under the plan. The plan is administered by a committee of the company's Board of Directors.

Under the LTIP, certain executive officers of the group are eligible to receive awards of a combination of company stock grants and stock options, once a predetermined company performance objective is met. The awards are made annually in May, and vest in four equal annual installments beginning with the first December 31 (for options) and April 30 (for grants) following the date of award. Vesting in both stock grants and stock options awarded under the plan is dependent on time-based, company and individual performance criteria. Vested options are exercisable for 7 years from the date of award. Awards of grants and options are formula-based dependent on the percentage of each awardee's base compensation at the date of award subject to the LTIP, and the fair value of stock options and stock grants awarded. The fair value of stock grants, and the exercise price and fair value of stock options, is set based on the closing bid price of the company's stock on the last trading day in March of the year in which the award is made.

Shares issued when stock grants are vested and when stock options are exercised have the same rights as other issued common shares.

During the year, grants of 406,292 shares of company stock were awarded under the plan to three executive directors, of which 45,740 shares became fully vested and were issued.

At December 31, 2013, options over 1,329,253 shares were outstanding, 456,570 of which were vested and exercisable, at the prices per share as follows:

Expiring	Outstanding	Vested	Exercise Price
December 31			
2019	497,029	248,514	\$58.00
2020	832,224	208,056	\$55.97
	1,329,253	456,570	

No options expired or were exercised or forfeited during the year.

# Notes to the Financial Statements

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

## 27. Share Based Compensation (Continued)

The company uses the Black-Scholes option pricing model for determining the fair value of stock options awarded, which is expensed over the vesting period. The range of values of stock options awarded as at December 31, 2013, as determined using this model, was \$15.02 to \$21.35. The significant inputs into the model were as follows:

Exercise price (range in \$ per share)	\$55.97 - \$58.00
Annual risk free rate	7.8% - 8.0%
Volatility factor	27.9% - 31.4%
Expected dividend yield	2.3% - 5.3%
Expected life (in years)	7

Share-based compensation expense is recognised over the vesting period of each award, and is based on the total fair value of all awards expected to vest. The group and the company recognised share-based compensation of \$13,601,000 and \$6,620,000, respectively, in 2013 (nil in 2012 for both the group and the company). To satisfy its obligations in relation to the stock grants of \$2,242,000 for the group (2012 – nil) and \$1,107,000 for the company (2012 – nil), the group issued shares from its holdings of treasury shares, valued at \$2,659,000.

## 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

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 29. Investment and Other Reserves

These comprise:

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Fair value gains/(losses) on investments	129,925	10,348	71,533	(28,186)
Capital reserves	2,605,630	2,598,182	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	472,969	1,037,804	-	-
	<u>3,210,700</u>	<u>3,648,510</u>	<u>1,411,716</u>	<u>1,311,997</u>
Capital reserves				
Realised gain on sale of ESPP shares	99,673	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	287,830	279,965	142,754	142,754
	<u>2,605,630</u>	<u>2,598,182</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 \$64,000 (2012 – deferred tax \$3,896,000) with respect to revaluation adjustments to investments.

## 30. Dividends

	2013	2012
	\$'000	\$'000
First interim dividend for 2013 at \$1.10 (2012 - \$0.50) per stock unit - gross	234,555	106,616
Second interim dividend (2012 - \$0.50) per stock unit – gross	-	106,616
Third interim dividend for 2013 at \$0.45 (2012 - \$0.50) per stock unit – gross	95,955	106,616
Fourth interim dividend for 2013 at \$0.50 (2012 - \$0.55) per stock unit - gross	106,616	117,278
	<u>437,126</u>	<u>437,126</u>
Less: Dividends on treasury stock	(1,878)	(257)
	<u>435,248</u>	<u>436,869</u>

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 31. Cash Flows from Operating Activities

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Net profit	2,524,025	2,112,718	415,384	503,076
Adjustments to reconcile net profit to cash flows provided by operating activities:				
Depreciation of property, plant and equipment	28,396	23,629	6,280	6,296
Loss/(gain) on sale of property, plant and equipment	5,862	(1,964)	(1,082)	-
Stock compensation expense	13,601	-	6,620	-
Interest income	(97,942)	(107,287)	(127,457)	(125,973)
Finance costs	609,144	186,706	486,836	117,732
Share of results of associated companies	(2,175,326)	(1,677,002)	-	-
Share of results of joint venture	(5,541)	(37,337)	-	-
Income tax expense	100,131	119,079	(5,774)	26,642
Bad debts	376	9,710	-	90,921
Change in retirement benefit asset/obligation	24,986	15,141	5,316	4,338
Fair value gains on investment properties	(253,411)	(152,800)	-	-
Gains on foreign currency denominated investments	(219,236)	(52,035)	(197,276)	(32,717)
Impairment of investment assets	34,033	8,546	14,687	8,546
Unrealised gains on financial assets at fair value through profit and loss	(42,527)	(305)	-	-
	546,571	446,799	603,534	598,861
Changes in operating assets and liabilities:				
Taxation recoverable	(1,223)	(3,892)	(1,157)	(4,587)
Other assets, net	(49,729)	(13,954)	14,760	38,381
Other liabilities, net	40,009	15,995	(24,743)	13,842
	535,628	444,948	592,394	646,496
Interest received	98,168	89,384	121,044	120,849
Income tax paid	(167,712)	(113,169)	(26,992)	-
Net cash provided by operating activities	466,084	421,163	686,446	767,345

# Notes to the Financial Statements

Year ended 31 December 2013

(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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	435,845	353,641	-	-
Later than 1 year and not later than 5 years	1,411,358	882,576	-	-
Later than 5 years	524,423	145,434	-	-
	<u>2,371,626</u>	<u>1,381,651</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.

### (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.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 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. As described in the accounting policy notes, the group also uses hedge accounting to manage its foreign currency risk associated with certain of its foreign currency denominated AFS equity instruments.

#### 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				
	2013				
	Jamaican \$	US\$	CAD\$	BD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
<b>Financial assets</b>					
Cash and bank balances	17,968	12,240	657	-	30,865
Deposits	2,355	30,020	107,510	-	139,885
Investment securities	368,850	1,783,745	231,410	147,943	2,531,948
Securities purchased under agreements to resell	7,680	244,529	-	-	252,209
Trade and other receivables	142,426	92,294	-	-	234,720
Total financial assets	539,279	2,162,828	339,577	147,943	3,189,627
<b>Financial liabilities</b>					
Bank overdraft	4,606	-	-	-	4,606
Loan liabilities	2,670,548	1,861,808	-	-	4,532,356
Finance lease liability	14,528	-	-	-	14,528
Other liabilities	175,848	108,726	-	-	284,574
Total financial liabilities	2,865,530	1,970,534	-	-	4,836,064
<b>Net position</b>	(2,326,251)	192,294	339,577	147,943	(1,646,437)

# Notes to the Financial Statements

Year ended 31 December 2013

(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				
	2012				
	Jamaican \$	US\$	CAD\$	BD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
<b>Financial assets</b>					
Cash and bank balances	32,185	9,536	-	-	41,721
Deposits	2,175	798,827	95,090		896,092
Investment securities	227,822	844,153	-	121,198	1,193,173
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	504,347	2,464,658	95,090	121,198	3,185,293
<b>Financial liabilities</b>					
Loan liabilities	2,634,203	1,578,523	-	-	4,212,726
Finance lease liability	13,799	-	-	-	13,799
Other liabilities	180,557	63,465	-	-	244,022
Total financial liabilities	2,828,559	1,641,988	-	-	4,470,547
<b>Net position</b>	(2,324,212)	822,670	95,090	121,198	(1,285,254)

# Notes to the Financial Statements

Year ended 31 December 2013

(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			
	2013			
	Jamaican \$	US\$	BD\$	Total
	J\$'000	J\$'000	J\$'000	J\$'000
<b>Financial assets</b>				
Cash and bank balances	119	614	-	733
Deposits	-	15,139	-	15,139
Investment securities	417,281	1,005,104	147,943	1,570,328
Securities purchased under agreements to resell	601	12,049	-	12,650
Due from related parties	31,736	641,403	-	673,139
Receivables	36,517	-	-	36,517
Total financial assets	486,254	1,674,309	147,943	2,308,506
<b>Financial liabilities</b>				
Bank overdraft	2,535	-	-	2,535
Due to related parties	24,178	9,515	-	33,693
Loan liabilities	2,584,486	1,244,920	-	3,829,406
Finance lease liability	3,583	-	-	3,583
Other liabilities	72,177	-	-	72,177
Total financial liabilities	2,686,959	1,254,435	-	3,941,394
<b>Net position</b>	<b>(2,200,705)</b>	<b>419,874</b>	<b>147,943</b>	<b>(1,632,888)</b>

# Notes to the Financial Statements

Year ended 31 December 2013

(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
<b>Financial assets</b>				
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	121,198	2,471,386
<b>Financial liabilities</b>				
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
<b>Net position</b>	(2,445,077)	759,553	121,308	(1,564,216)

# Notes to the Financial Statements

Year ended 31 December 2013

(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 financial instruments and adjusts their translation at the year-end for a 15% increase and 1% decrease (2012 - 10% 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 the profit or loss also considered the foreign exchange gains/(losses) on certain available-for-sale equity instruments which were part of the previously discussed hedging relationship. The sensitivity of other components of equity was as result of translation gains/(losses) on the other foreign currency denominated equities classified as available-for-sale, which were not a part of the hedging relationship.

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
	2013	2013 \$'000	2013 \$'000	2012	2012 \$'000	2012 \$'000
<b>Currency:</b>						
USD	15%	(26,491)	55,335	10%	33,357	48,909
USD	-1%	1,766	(3,689)	-1%	(3,336)	(4,891)
BD	15%	22,191	-	10%	-	12,120
BD	-1%	(1,479)	-	-1%	-	(1,212)
CAD	15%	16,225	34,712	10%	9,509	-
CAD	-1%	(1,082)	(2,314)	-1%	(951)	-



# Notes to the Financial Statements

Year ended 31 December 2013

(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	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
	2013	2013	2013	2012	2012	2012
		\$'000	\$'000		\$'000	\$'000
<b>Currency:</b>						
USD	15%	13,751	49,230	10%	41,411	34,555
USD	-1%	(917)	(3,282)	-1%	(4,141)	(3,456)
BD	15%	22,191	-	10%	-	12,120
BD	-1%	(1,479)	-	-1%	-	(1,212)

# Notes to the Financial Statements

Year ended 31 December 2013

(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						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2013:</b>							
<b>Financial assets</b>							
Cash and bank balances	30,865	-	-	-	-	-	30,865
Deposits	32,375	107,510	-	-	-	-	139,885
Investment securities	237,450	-	-	339,279	302,945	1,652,274	2,531,948
Securities purchased under agreements to resell	227,788	21,956	2,336	129	-	-	252,209
Trade and other receivables	28,076	-	-	-	-	206,644	234,720
Total financial assets	556,554	129,466	2,336	339,408	302,945	1,858,918	3,189,627
<b>Financial liabilities</b>							
Bank overdraft	4,606	-	-	-	-	-	4,606
Loan liabilities	1,327,653	-	598,379	974,016	1,632,308	-	4,532,356
Finance lease liability	290	-	357	13,881	-	-	14,528
Other liabilities	27,456	-	-	-	-	257,118	284,574
Total financial liabilities	1,360,005	-	598,736	987,897	1,632,308	257,118	4,836,064
<b>Total interest repricing gap</b>	<b>(803,451)</b>	<b>129,466</b>	<b>(596,400)</b>	<b>(648,489)</b>	<b>(1,329,363)</b>	<b>1,601,800</b>	<b>(1,646,437)</b>
<b>Cumulative interest repricing gap</b>	<b>(803,451)</b>	<b>(673,985)</b>	<b>(1,270,385)</b>	<b>(1,918,874)</b>	<b>(3,248,237)</b>	<b>(1,646,437)</b>	

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 33. Financial Risk Management (Continued)

### (a) Market risk (continued)

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

	The Group						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2012:							
Financial assets							
Cash and bank balances	41,721	-	-	-	-	-	41,721
Deposits	801,002	-	-	95,090	-	-	896,092
Investment securities	270,543	1,260	-	187,840	146,754	586,776	1,193,173
Securities purchased under agreements to resell	771,738	88,475	2,544	-	-	-	862,757
Trade and other receivables	28,064	-	-	-	-	163,486	191,550
Total financial assets	1,913,068	89,735	2,544	282,930	146,754	750,262	3,185,293
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	-	-	-	215,941	244,022
Total financial liabilities	1,282,279	49,512	-	1,354,201	1,568,614	215,941	4,470,547
Total interest repricing gap	630,789	40,223	2,544	(1,071,271)	(1,421,860)	534,321	(1,285,254)
Cumulative interest repricing gap	630,789	671,012	673,556	(397,715)	(1,819,575)	(1,285,254)	

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 33. Financial Risk Management (Continued)

### (a) Market risk (continued)

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

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 2013:							
Financial assets							
Cash and bank balances	733	-	-	-	-	-	733
Deposits	15,139	-	-	-	-	-	15,139
Investment securities	117,801	-	-	374,591	149,498	928,438	1,570,328
Securities purchased under agreements to resell	12,049	-	601	-	-	-	12,650
Due from related parties	-	-	-	661,813	-	11,326	673,139
Receivables	28,076	-	-	-	-	8,441	36,517
Total financial assets	173,798	-	601	1,036,404	149,498	948,205	2,308,506
Financial liabilities							
Bank overdraft	2,535	-	-	-	-	-	2,535
Due to related parties	-	-	20,000	-	-	13,693	33,693
Loan liabilities	1,269,200	-	598,379	742,021	1,219,806	-	3,829,406
Finance lease liabilities	-	-	-	3,583	-	-	3,583
Other liabilities	27,458	-	-	-	-	44,719	72,177
Total financial liabilities	1,299,193	-	618,379	745,604	1,219,806	58,412	3,941,394
Total interest repricing gap	(1,125,395)	-	(617,778)	290,800	(1,070,308)	889,793	(1,632,888)
Cumulative interest repricing gap	(1,125,395)	(1,125,395)	(1,743,173)	(1,452,373)	(2,522,681)	(1,632,888)	

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 33. Financial Risk Management (Continued)

### (a) Market risk (continued)

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

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 31 December 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

Year ended 31 December 2013

(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	Effect on Other Components of Equity	Effect on Profit before Taxation	Effect on Other Components of Equity
		2013	2013	2013	2013
		\$'000	\$'000	\$'000	\$'000
<b>Change in basis points:</b>					
<b>2013</b>	<b>2013</b>				
JA\$	US\$				
+250	+200	(25,489)	(15,800)	(28,557)	(11,654)
-100	-50	10,927	4,563	11,459	3,019

		The Group		The Company	
		Effect on Profit before Taxation	Effect on Other Components of Equity	Effect on Profit before Taxation	Effect on Other Components of Equity
		2012	2012	2012	2012
		\$'000	\$'000	\$'000	\$'000
<b>Change in basis points:</b>					
<b>2012</b>	<b>2012</b>				
JA\$	US\$				
+400	+250	(25,496)	(23,158)	(32,536)	(13,481)
-100	-50	7,325	5,523	8,742	2,843

# Notes to the Financial Statements

Year ended 31 December 2013

*(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 (2012 – \$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 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

Year ended 31 December 2013

(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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Credit risk exposures relating to on statement of financial position items are as follows:				
<b>Assets:</b>				
Cash and bank balances	30,865	41,721	733	18,624
Deposits	139,885	896,092	15,139	734,068
Financial assets at fair value through profit and loss	106,947	-	-	-
Available-for-sale securities	535,276	335,854	203,975	139,171
Loans and receivables	237,451	270,543	437,915	457,350
Securities purchased under agreements to resell	252,209	862,757	12,650	525,999
Trade and other receivables	234,720	191,550	36,517	47,924
Due from related parties	-	-	673,139	63,579
	<u>1,537,353</u>	<u>2,598,517</u>	<u>1,380,068</u>	<u>1,986,715</u>
Credit risk exposures relating to assets not recorded on the statement of financial position				
Lease commitments	<u>2,371,626</u>	<u>1,381,651</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 2013 and 2012, 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 for the year ended 31 December 2013 of \$34,033,000 (2012 - \$8,546,000) for the group and \$14,687,000 (2012 - \$8,546,000) for the company for certain investment securities.



# Notes to the Financial Statements

Year ended 31 December 2013

(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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Commercial	27,442	38,728	-	-
Retail	12,275	17,842	-	-
Managed properties	33,402	15,436	-	-
	73,119	72,006	-	-
Less: Provision for credit losses	(7,255)	(7,255)	-	-
	65,864	64,751	-	-

Credit quality of trade receivables are summarised as follows:

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Neither past due nor impaired -				
Standard	56,520	51,867	-	-
Past due but not impaired	9,343	12,884	-	-
Impaired	7,255	7,255	-	-
<b>Gross</b>	73,119	72,006	-	-
Less: Provision for credit losses	(7,255)	(7,255)	-	-
<b>Net</b>	65,864	64,751	-	-

All trade receivables are receivable from customers in Jamaica.

# Notes to the Financial Statements

Year ended 31 December 2013

(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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
31 to 60 days	4,032	5,140	-	-
61 to 90 days	1,853	765	-	-
Over 90 days	3,458	6,979	-	-
	<u>9,343</u>	<u>12,884</u>	<u>-</u>	<u>-</u>

The amounts above include managed properties fees receivables of \$15,436,000 (2012 - \$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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Government of Jamaica	79,899	105,272	5,117	4,511
Corporate and other government	847,471	1,989,431	226,647	1,394,727
	<u>927,370</u>	<u>2,094,703</u>	<u>231,764</u>	<u>1,399,238</u>

# Notes to the Financial Statements

Year ended 31 December 2013

*(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

Year ended 31 December 2013

(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						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 31 December 2013</b>							
<b>Financial assets</b>							
Cash and bank balances	30,865	-	-	-	-	-	30,865
Deposits	32,396	109,985	-	-	-	-	142,381
Investment securities	130,382	9,293	43,618	473,827	580,204	1,652,274	2,889,598
Securities purchased under agreements to resell	227,771	22,077	2,401	139	-	-	252,388
Trade and other receivables	101,826	134,322	-	-	-	-	236,148
Total financial assets (contractual maturity dates)	523,240	275,677	46,019	473,966	580,204	1,652,274	3,551,380
<b>Financial liabilities</b>							
Bank overdraft	4,619	-	-	-	-	-	4,619
Loans	348,596	60,720	922,700	3,780,050	305,627	-	5,417,693
Finance leases liability	947	1,315	5,177	9,687	-	-	17,126
Other liabilities	132,488	155,460	-	-	-	-	287,948
Total financial liabilities (contractual maturity date)	486,650	217,495	927,877	3,789,737	305,627	-	5,727,386
<b>Net Liquidity Gap</b>	36,590	58,182	(881,858)	(3,315,771)	274,577	1,652,274	(2,176,006)
<b>Cumulative Liquidity Gap</b>	36,590	94,772	(787,086)	(4,102,857)	(3,828,280)	(2,176,006)	

# Notes to the Financial Statements

Year ended 31 December 2013

(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						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December 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 purchased 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	13,477	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	1,475,856	19,499	(260,108)	(3,880,549)	(224,945)	586,776	(2,283,471)
Cumulative Liquidity Gap	1,475,856	1,495,355	1,235,247	(2645,302)	(2,870,247)	(2,283,471)	

# Notes to the Financial Statements

Year ended 31 December 2013

(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						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December 2013:							
Assets							
Cash and bank balances	733	-	-	-	-	-	733
Deposits	15,142	-	-	-	-	-	15,142
Investment securities	14,536	12,926	75,011	880,011	173,074	928,438	2,083,996
Securities purchased under agreements to resell	12,064	-	612	-	-	-	12,676
Due from related parties	-	-	444,009	259,585	-	11,326	714,920
Receivables	28,251	8,441	-	-	-	-	36,692
Total financial assets (contractual maturity dates)	70,726	21,367	519,632	1,139,596	173,074	939,764	2,864,159
Liabilities							
Bank overdraft	2,542	-	-	-	-	-	2,542
Due to related parties	-	-	23,899	8,140	-	3,882	35,921
Loans	254,895	660	851,165	3,266,018	210,060	-	4,582,798
Finance lease liability	100	200	900	3,300	-	-	4,500
Other liabilities	48,636	23,697	-	-	-	-	72,333
Total financial liabilities (contractual maturity dates)	306,173	24,557	875,964	3,277,458	210,060	3,882	4,698,094
Net Liquidity Gap	(235,447)	(3,190)	(356,332)	(2,137,862)	(36,986)	935,882	(1,833,935)
Cumulative Liquidity Gap	(235,447)	(238,637)	(594,969)	(2,732,831)	(2,769,817)	(1,833,935)	

# Notes to the Financial Statements

Year ended 31 December 2013

(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
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific Maturity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 31 December 2012:</b>							
<b>Assets</b>							
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	1,573,431
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
<b>Liabilities</b>							
Due to related parties	-	-	63,237	-	-	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
<b>Net Liquidity Gap</b>	<b>1,183,026</b>	<b>(29,930)</b>	<b>(222,617)</b>	<b>(3,094,152)</b>	<b>(242,583)</b>	<b>374,075</b>	<b>(2,032,181)</b>
<b>Cumulative Liquidity Gap</b>	<b>1,183,026</b>	<b>1,153,096</b>	<b>930,479</b>	<b>(2,163,673)</b>	<b>(2,406,256)</b>	<b>(2,032,181)</b>	

# Notes to the Financial Statements

Year ended 31 December 2013

*(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

Year ended 31 December 2013

(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	Fair	Carrying	Fair
	Value	Value	Value	Value
	2013	2013	2012	2012
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Investment in associated companies	14,229,464	13,962,482	12,998,900	13,159,630
Loans and receivables	237,451	241,185	270,543	271,190
	The Company			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2013	2013	2012	2012
	\$'000	\$'000	\$'000	\$'000
Investment in associated companies	7,438,629	13,963,254	7,303,601	13,159,630
Loans and receivables	437,915	466,891	457,350	489,306
	The Group			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2013	2013	2012	2012
	\$'000	\$'000	\$'000	\$'000
<b>Financial Liabilities</b>				
Loan liabilities	4,532,356	4,179,731	4,212,726	4,057,313
Finance lease liability	14,528	17,126	13,799	17,108
	The Company			
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
	2013	2013	2012	2012
	\$'000	\$'000	\$'000	\$'000
Loan liabilities	3,829,406	3,682,168	3,717,061	3,456,359
Finance lease liability	3,583	4,500	4,210	5,500

The fair value of financial liabilities are within level 2 of the fair value hierarchy. 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

Year ended 31 December 2013

(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: See Note 3(v) and 16 for disclosure of investment properties that are measured at fair value.

	The Group			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 31 December 2013</b>				
<b>Financial assets</b>				
Investment securities	1,076,725	642,223	575,549	2,294,497

<b>As at 31 December 2012</b>				
<b>Financial assets</b>				
Investment securities	459,359	335,853	127,418	922,630

	The Company			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 31 December 2013</b>				
<b>Financial assets</b>				
Investment securities	584,298	203,975	344,140	1,132,413
<b>As at 31 December 2012</b>				
<b>Financial assets</b>				
Investment securities	357,253	139,171	137,418	623,842

There were no transfers between levels during the year.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

The following table shows the changes in Level 3 instruments for the year ended 31 December 2013

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	127,418	277,744	137,418	275,184
Additions	327,560	9,744	129,505	9,744
Settlements	(56)	(155,876)	(56)	(143,316)
Impairment	-	(8,546)	-	(8,546)
Foreign exchange gains	25,345	4,012	25,345	4,012
Unrealised gains and losses recognised OCI	95,282	340	61,928	340
	<u>575,549</u>	<u>127,418</u>	<u>354,140</u>	<u>137,418</u>
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>25,345</u>	<u>4,012</u>	<u>25,345</u>	<u>340</u>
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	<u>25,345</u>	<u>4,012</u>	<u>25,345</u>	<u>340</u>

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. Level 3 investments include investments in closed end real estate funds which are not publicly traded. To determine the carrying value for these investments management independently computes the fair value of the net assets of the fund, by assessing the results of independent property valuations and considering the fair values cash and investment holdings as well as any debt obligations these funds may have.

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.

# Notes to the Financial Statements

Year ended 31 December 2013

*(expressed in Jamaican dollars unless otherwise indicated)*

## 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.

## 36. Restatement and Reclassification

The financial statements of the group for the years ended 31 December 2012 and 31 December 2011 have been restated to reflect the effects of the following:

### (a) Adoption of IAS 19 (Revised), 'Employee Benefits'

The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense / income to be calculated as the product of the net defined benefit liability / asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets. The revised standard also resulted in the immediate and full recognition of actuarial gains and losses in other comprehensive income. The adoption of the standard also resulted in a revision to amounts recorded as deferred tax asset or liabilities.

### (b) Reclassifications

During the year, the group reclassified loans recorded as investment in joint venture to a separate financial instrument on the statement of financial position. IAS 28, which deals with equity accounting for investments in associated companies and joint ventures precludes the inclusion of loans and advances to associated companies and joint ventures from inclusion in the carrying amount (even if in substance they form part of the long term investment in the company), as these balances are not considered in equity accounting.

The tables below show the impact of the foregoing, on the statements of financial position of the group and company for the years ended 31 December 2011 and 2012 and for the income statement and statement of comprehensive income for the year ended 31 December 2012.

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 36. Restatement and Reclassification (Continued)

*Effect on consolidated statement of financial position as at 31 December 2011*

	As previously stated \$'000	Effect of Restatements \$'000	As restated \$'000
<b>Assets</b>			
<b>Cash and Bank Balances</b>	16,081	-	16,081
<b>Investments</b>	14,988,306	29,744	15,018,050
	15,004,387	29,744	15,034,131
<b>Other Assets</b>			
Due from related parties			
Taxation recoverable	64,789	-	64,789
Deferred tax assets	107	-	107
Prepayment and miscellaneous	469,301	-	469,301
Property, plant and equipment	356,386	-	356,386
Retirement benefit assets	28,152	(28,152)	-
	918,735	(28,152)	890,583
	15,923,122	1,592	15,924,714
<b>Stockholders' Equity and Liabilities</b>			
<b>Stockholders' Equity</b>	14,636,448	(10,865)	14,625,583
<b>Non-controlling interest</b>	206,968	-	206,968
	14,843,416	(10,865)	14,832,551
<b>Liabilities</b>			
Bank Overdrafts	9,499	-	9,499
Taxation payable	43,666	(1,088)	42,578
Due to related parties	5,225	-	5,225
Loan liabilities	532,214	-	532,214
Finance lease liability	12,416	-	12,416
Deferred tax liability	164,833	(22,165)	142,668
Retirement benefit liabilities	81,107	35,710	116,817
Other liabilities	230,746	-	230,746
	1,079,706	12,457	1,092,163
	15,923,122	1,592	15,924,714

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 36. Restatement and Reclassification (Continued)

*Effect on consolidated results of operations for the year ended 31 December 2012*

	As previously stated \$'000	Effect of Restatements \$'000	As Restated \$'000
<b>Income</b>			
Investments	252,284	-	252,284
Property	1,289,099	-	1,289,099
Commissions	43,177	-	43,177
Other	97,243	-	97,243
	1,681,803	-	1,681,803
<b>Expenses</b>			
Operating expenses	959,327	18,312	977,639
Finance costs	186,706	-	186,706
	1,146,033	18,312	1,164,345
Share of results of associated companies and joint venture	1,694,688	19,651	1,714,339
Taxation	(123,119)	4,040	(119,079)
<b>NET PROFIT</b>	<b>2,107,339</b>	<b>5,379</b>	<b>2,112,718</b>
<b>Attributable to:</b>			
Owners of the company	2,081,551	5,379	2,086,930
Non-controlling interest	25,788	-	25,788
	2,107,339	5,379	2,112,718
<b>Earnings per stock unit attributable to owners of the parent during the year</b>			
Basic and fully diluted	\$9.77	\$0.02	\$9.79

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 36. Restatement and Reclassification (Continued)

*Effect on consolidated total comprehensive income for the year ended 31 December 2012*

	As previously stated \$'000	Effect of Restatements \$'000	As Restated \$'000
<b>Net Profit for the Year</b>	2,107,339	5,379	2,112,718
<b>Other comprehensive income for the year, net of tax</b>	96,868	9,861	106,729
<b>TOTAL COMPREHENSIVE INCOME</b>	2,204,207	15,240	2,219,447
<b>Attributable to:</b>			
Owners of the company	2,178,567	15,240	2,193,807
Non-controlling interest	25,640	-	25,640
	2,204,207	15,240	2,219,447

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 36. Restatement and Reclassification (Continued)

*Effect on consolidated statement of financial position as at 31 December 2012*

	As previously stated \$'000	Effect of Restatements \$'000	As Restated \$'000
<b>Assets</b>			
<b>Cash and Bank Balances</b>	41,721	-	41,721
<b>Investments</b>	20,312,134	76,668	20,388,802
	20,353,855	76,668	20,430,523
<b>Other Assets</b>			
Due from related parties			
Taxation recoverable	68,681	-	68,681
Deferred tax assets	336	-	336
Prepayment and miscellaneous	613,271	-	613,271
Property, plant and equipment	354,695	-	354,695
Retirement benefit assets	41,593	(41,593)	-
	1,078,576	(41,593)	1,036,983
	21,432,431	35,075	21,467,506
<b>Stockholders' Equity and Liabilities</b>			
<b>Stockholders' Equity</b>	16,420,481	4,375	16,424,856
<b>Non-controlling interest</b>	230,259	-	230,259
	16,650,740	4,375	16,655,115
<b>Liabilities</b>			
Taxation payable	119,536	-	119,536
Loan liabilities	4,212,726	-	4,212,726
Finance lease liability	13,799	-	13,799
Deferred tax liability	99,143	(32,009)	67,134
Retirement benefit liabilities	92,466	62,708	155,174
Other liabilities	244,021	1	244,022
	4,781,691	30,700	4,812,391
	21,432,431	35,075	21,467,506



# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 36. Restatement and Reclassification (Continued)

*Effect on company statement of financial position as at 31 December 2011*

	As previously stated \$'000	Effect of Restatements \$'000	As restated \$'000
<b>Assets</b>			
<b>Cash and Bank Balances</b>	4,587	-	4,587
<b>Investments</b>	5,655,767	-	5,655,767
	5,660,354	-	5,660,354
<b>Other Assets</b>			
Due from related parties	348,568		348,568
Taxation recoverable	54,959	-	54,959
Prepayment and miscellaneous	253,942	-	253,942
Property, plant and equipment	26,910	-	26,910
Retirement benefit assets	28,152	-	28,152
	712,531	-	712,531
	6,372,885	-	6,372,885
<b>Stockholders' Equity and Liabilities</b>			
<b>Stockholders' Equity</b>	6,048,647	1,912	6,050,559
<b>Liabilities</b>			
Taxation payable	673	-	673
Due to related parties	158,529	-	158,529
Loan liabilities	8,267	-	8,267
Deferred tax liability	26,300	(607)	25,693
Retirement benefit liabilities	46,631	(823)	45,808
Other liabilities	83,838	(482)	83,356
	324,238	(1,912)	322,326
	6,372,885	-	6,372,885

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 36. Restatement and Reclassification (Continued)

*Effect on company results of operations for the year ended 31 December 2012*

	As previously stated \$'000	Effect of Restatements \$'000	As Restated \$'000
<b>Income</b>			
Investments	881,465	-	881,465
Management fees	35,628	-	35,628
Miscellaneous	182	-	182
	917,275	-	917,275
<b>Expenses</b>			
Operating expenses	253,031	16,794	269,825
Finance costs	117,732	-	117,732
	370,763	16,794	387,557
Profit before taxation	546,512	(16,794)	529,718
Taxation	(35,842)	9,200	(26,642)
<b>NET PROFIT</b>	510,670	(7,594)	503,076

*Effect on company total comprehensive income for the year ended 31 December 2012*

	As previously stated \$'000	Effect of Restatements \$'000	As Restated \$'000
<b>Net Profit for the Year</b>	510,670	(7,594)	503,076
<b>Other comprehensive income for the year, net of tax</b>	(51,010)	20,519	(30,491)
<b>TOTAL COMPREHENSIVE INCOME</b>	459,660	12,925	472,585

# Notes to the Financial Statements

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 36. Restatement and Reclassification (Continued)

*Effect on company statement of financial position as at 31 December 2012*

	As previously stated \$'000	Effect of Restatements \$'000	As restated \$'000
<b>Assets</b>			
<b>Cash and Bank Balances</b>	18,624	-	18,624
<b>Investments</b>	9,946,067	-	9,946,067
	9,964,691	-	9,964,691
<b>Other Assets</b>			
Due from related parties	63,579	-	63,579
Taxation recoverable	59,546	-	59,546
Prepayment and miscellaneous	63,136	-	63,136
Property, plant and equipment	25,150	-	25,150
Retirement benefit assets	41,593	-	41,593
	253,004	-	253,004
	10,217,695	-	10,217,695
<b>Stockholders' Equity and Liabilities</b>			
<b>Stockholders' Equity</b>	6,071,181	14,837	6,086,018
	6,071,181	14,837	6,086,018
<b>Liabilities</b>			
Taxation payable	56,598	-	56,598
Due to related parties	217,411	-	217,411
Loan liabilities	3,717,061	-	3,717,061
Finance lease liability	4,210	-	4,210
Deferred tax liability	6,217	(2,967)	3,250
Retirement benefit liabilities	48,097	(11,870)	36,227
Other liabilities	96,920	-	96,920
	4,146,514	(14,837)	4,131,677
	10,217,695	-	10,217,695

# Disclosure of Stockholdings

as at December 31, 2013

## Directors' and Connected Parties Stockholdings

	Personal Stockholdings	Connected Party
Christopher N. Barnes	Nil	Nil
Richard O. Byles	501,893	Nil
Stephen B. Facey	6,073,472	79,814,366
Paul A. B. Facey	3,519,643	82,368,195
Paul R. Hanworth	50,000	Nil
Kathleen A. J. Moss	10,000	Nil
Ian S. C. Parsard	Nil	Nil
Donovan H. Perkins	70,665	Nil
T. Matthew W. Pragnell	Nil	Nil

## Stockholdings of Senior Management & Connected Persons

Stephen B. Facey	6,073,472	79,814,366
Paul A. B. Facey	3,519,643	82,368,195
Paul R. Hanworth	50,000	Nil
Camelia M. Nelson	Nil	Nil
Claudette A. Ashman Ivey	Nil	Nil

## Substantial Interest

	Amount	Holding Percentage
1 Boswell Investments Limited	*44,670,380	20.95%
2 Sagicor Pooled Equity Fund	23,835,559	11.04%
3 Orange Hall Estates Limited	*17,163,959	8.05%
4 National Insurance Fund	14,216,334	6.67%
5 Scotia Jamaica Investment Mgmt. A/C 3119	8,499,204	3.99%
6 Facey, Stephen and Wendy	6,073,472	2.85%
7 Guardian Life Limited	4,136,759	1.94%
8 Caenwood Securities Limited	4,136,759	2.0%
9 Facey, Paul	*4,024,570	1.89%
10 Cecil Boswell Facey Foundation	*3,440,000	1.61%
Others	83,942,796	39.37%

Total stocks in issue – 213,231,978

Total no. of stockholders – 3,134

\*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, 29 May 2014 at 2:30 p.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)*

Place \$100  
Stamp Here

Resolutions	For	Against
1 Audited Accounts		
2 Dividends		
3(i) a Director: Paul A. B. Facey		
3(i) b Director: Ian S. C. Parsard		
3(i) c Director: T. Matthew W. Pragnell		
3(ii)d Director: Paul R. Hanworth		
4 Directors' Remuneration		
5 Auditors		

*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.*