

JAMAICA STOCK EXCHANGE



ANNUAL REPORT
2004



ANNUAL REPORT 2004

“ Providing A Fair, Efficient and Transparent Stock Market ”



THE JAMAICA STOCK EXCHANGE ANNUAL REPORT 2004

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MISSION STATEMENT

To provide a fair, efficient, ethical and transparent medium for the conduct of a viable securities market that facilitates the mobilization of capital to finance the growth and development of the nation.

OUR CORPORATE OBJECTIVES

The Jamaica Stock Exchange was incorporated as a private limited company in August 1968, with the stock market commencing operations in February 1969.

Its principal objectives are:

To promote the orderly and transparent development of the stock market and the stock exchange in Jamaica.

To ensure that the stock market and its broker members operate at the highest standards practicable.

To develop, apply and enforce the rules designed to ensure public confidence in the stock market and its broker-members.

To provide facilities for the transaction of stock market business.

To conduct research, disseminate relevant information and maintain local and international relationships which can enhance the development of the Jamaican stock market.

NOTICE OF 28th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Eighth (28th) Annual General Meeting of the Jamaica Stock Exchange will be held at the Jamaica Stock Exchange, 40 Harbour Street, Kingston on Thursday June 23, 2005, commencing at 1:00 p.m. for the following purposes:

1. To appoint Directors.
2. The following Directors will retire at the Annual General Meeting and are eligible for re-appointment for the year 2005/6 to allow for the effect of the new Articles of Association:

* Mr. Roy Johnson	-	Retiring
* Mr. Christopher Berry	-	Retiring
* Mr. Patrick Hylton	-	Retiring
* Mr. Hugh Croskery	-	Retiring
* Mrs. Rita Humphries-Lewin	-	Retiring
* Mr. Curtis Martin	-	Retiring
* Mr. Edwin McKie	-	Retiring
* Mr. Donovan Perkins	-	Retiring
* Mr. Garfield Sinclair	-	Retiring
* Mr. Don Wehby	-	Retiring
* Mr. Leo Williams	-	Retiring

Mr. Alvaro Casserly will retire at the Annual General Meeting.

3. To elect independent Directors and nominees of the following organizations:
 - (i) Ministry of Finance and Planning (MOFP)
 - (ii) Bank of Jamaica (BOJ)
 - (iii) Institute of Chartered Accountants of Jamaica (ICAJ)
 - (iv) The Private Sector Organization of Jamaica (PSOJ)
 - (v) The Jamaican Bar Association (JBA)
4. 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 Directors be and are hereby authorized to fix the remuneration of the Auditors at a figure to be agreed with them."
6. To receive, and if approved, adopt the Audited Financial Statements for the year ended December 31, 2004, together with the Directors' and Auditors' Reports. To consider and (if thought fit) pass the following Resolution:
"That the Audited Financial Statements for the year ended December 31, 2004, and the Reports of the Directors and Auditors be adopted."
7. To fix the fees of the Directors or to determine the manner in which such fees are to be fixed. To consider and (if thought fit) pass the following Resolution:
"That the Directors be and are hereby authorised to fix their fees for the fiscal period 2005/2006."
8. To transact any other ordinary business of the company.

DATED THIS 20th DAY OF MAY 2005
BY ORDER OF THE BOARD



MARLENE J. STREET
SECRETARY

Note (i) A member may appoint its Seatholder or any other person to act as its representative. The person so authorised shall be entitled to exercise the same powers as the member which he represents.

JAMAICA STOCK EXCHANGE COUNCIL



BACK (L-R)

Mrs. Faith Stewart, Representative, Bank of Jamaica
Mr. Leo Williams, Director, JMMB Securities Ltd.
Mrs. Rita Humphries-Lewin, CEO/Chairman, Barita Investments Ltd.
Ms. Caryl Fenton, Representative, Institute of Chartered Accountants of Jamaica
Mr. Hugh Croskery, Chairman/Managing Director, Paul Chen Young & Company Ltd.
Mr. Ed McKie, Chairman, M/VL Stockbrokers Ltd.
Mr. Patrick Hylton, Managing Director, NCB Capital Markets Ltd.
Ms. Hilary Phillips, Q.C., Representative, Jamaican Bar Association
Mr. Garfield Sinclair, Chief Operating Officer, DB&G Ltd



FRONT (L-R)

Mr. Don Wehby, Chairman, First Global Stockbrokers Ltd.
Ms. Dian Black, Representative Ministry of Finance & Planning
Mr. Curtis Martin, Deputy Chairman, JSE; Director, Capital & Credit Securities Ltd.;
Mr. Roy L. Johnson, Executive Chairman, Seatholder, VM Wealth Management Ltd.
Mr. Donovan Perkins, President/CEO, Pan Caribbean Financial Services Ltd.*
Mr. Alvaro Casserly, Non-seatholder



(Insets)

Mr. Christopher Berry, Chairman, Mayberry Investments Ltd.
Mrs. Marlene Street, General Manager, JSE/JCSD



DIRECTORS' REPORT

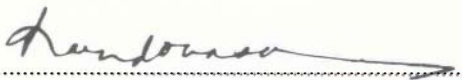
The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Profits, Assets and Liabilities of the Jamaica Stock Exchange and its wholly owned subsidiary, the Jamaica Central Securities Depository for the year ended December 31, 2004.

Operating revenues for the year were \$158.7 million compared to \$104.9 million for 2003, an increase of 51.3%. Investment and other income were \$60.7 million compared to \$56.1 million for 2003, an increase of 8.2%.

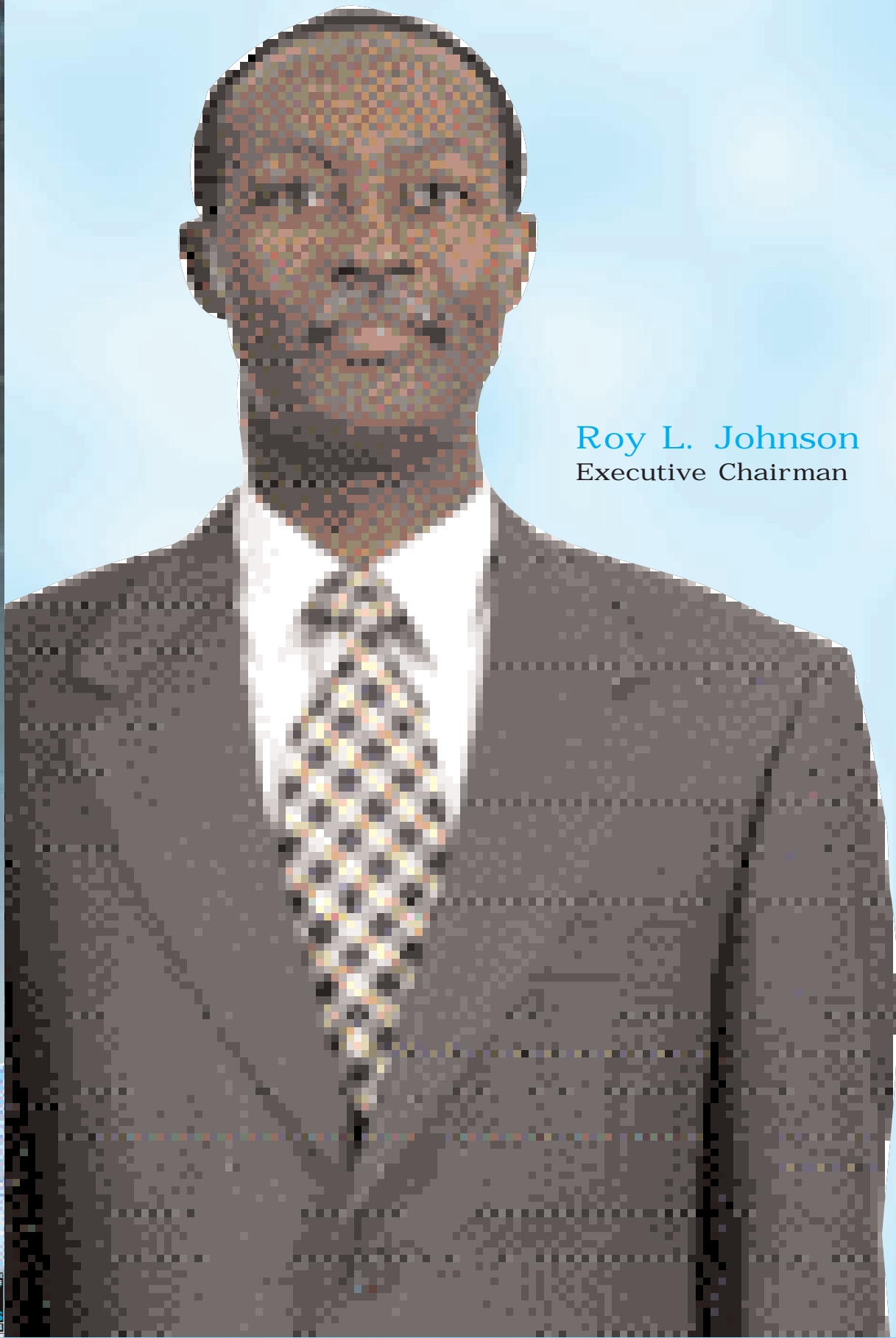
Total expenses for the year were \$135.5 million, an increase of 33.9% over 2003's \$101.2 million. The net profit before taxes was \$83.9 million compared to \$59.8 million for 2003, a 40.3% increase.

Total assets of the Company and its subsidiary as at December 31, 2004 were \$819.9 million compared to \$646.3 million for 2003. These figures include Compensation Fund assets of \$378.8 million and \$331.5 million for 2004 and 2003 respectively. Shareholders equity increased from \$598.4 million to \$760.1 million, a 27.0% increase.

The auditors, Deloitte & Touche have signified their willingness to continue in office.


A handwritten signature in black ink, appearing to read 'Roy L. Johnson', is written over a horizontal dotted line. Below the dotted line is a solid horizontal line.

Roy L. Johnson
Executive Chairman



Roy L. Johnson
Executive Chairman

THE CHAIRMAN'S REPORT

The Jamaica Stock Exchange (JSE) celebrated 35 years of service to Jamaica in 2004. We heartily congratulate the companies, which were listed in 1969 and have remained on the Exchange, adhering to the rules and cooperating as we develop a modern, world-class equities market. We commend the vision of those who established this national institution, and are confident that over the years it has fulfilled its mandate to enhance capital market development and provide the opportunity for many ordinary Jamaicans to participate in economic development and share ownership in the wealth creating companies operating in our country.

FINANCIAL PERFORMANCE

For the year ended December 31, 2004, the JSE continued to achieve commendable operating results and confirmed our strong optimism for the Exchange's future as a viable, profitable and stable enterprise.

The Company's financial performance for the year ended December 31, 2004 surpassed the good results obtained in 2003. Operating revenues were \$123.0 million exceeding the previous year's \$92.2 million by \$30.8 million, an increase of 33.4% to yield a comparable surplus on operations before taxation of \$63 million compared to \$62 million in 2003.

Investment and other income increased to \$57.6 million compared to \$53.6 million in 2003, a 7.5% increase. Surplus before taxation inclusive of investment income on the Compensation Fund was \$123.2 million against \$118.7 million in 2003, a 3.8% increase.

The Exchange's wholly owned subsidiary, the JCSD reported a much-improved performance with a surplus of \$28 million compared with a loss of \$2.3 million in 2003.

Net surplus was \$109.0 million compared to \$77.3 million in 2003, an increase of \$31.7 million or 41%.

CORPORATE GOVERNANCE

There have been significant developments in the discussion and adoption of corporate governance principles over the past year. The JSE congratulates listed companies, which have begun to disclose their corporate governance practices in their annual reports.

The JSE has developed its internal governance principles and practices, which are now included in this annual report. We have continued to participate as a member of the Caribbean Technical Working Group (CTWG) on corporate governance and have contributed to the development of Caribbean Governance Principles. These principles have been endorsed by a wide cross-section of organizations in the Caribbean and will shortly be presented to the Caribbean Heads of Government for final adoption. The Exchange has also strongly supported the efforts of the Private Sector Organization of Jamaica (PSOJ) in the development of a Code of Corporate Governance for Jamaica, and after discussions with listed companies, intends to incorporate appropriate portions of the Code in the Rules of the Exchange.

REGIONAL STOCK MARKET

During 2004, the JSE took the initiative to advance the formation of a regional stock market by entering into a Memorandum of Understanding with the Trinidad and Tobago Stock Exchange and the Barbados Stock Exchange to link the three trading platforms and allow brokers and investors to access stocks traded on the three exchanges. Efforts are continuing to implement this MOU and the three exchanges remain committed to establishing a regional market in 2005.

THE CHAIRMAN'S REPORT (Cont'd)

DEMUTUALIZATION

The JSE has taken what could be regarded as the most important decision since its inception - the decision to demutualize. The members of the Exchange have decided to convert to a "for profit" organization and their membership into shares. A new Memorandum of Association and Articles of Association have been adopted which provide for member dealers to be admitted to trading subject to the Business Rules of the Exchange, without those trading needing to be shareholders of the Exchange. It is expected that the process of demutualization will be completed within the next twelve months.

THE JAMAICA CENTRAL SECURITIES DEPOSITORY LTD.

We are very pleased to report that this wholly owned subsidiary has continued to operate consistent with the needs of a modern financial infrastructure providing clearance, settlement, depository and risk management services in line with international best practices and trends. The Jamaica Central Securities Depository (JCSD) recorded its first year of profitable operations in 2004 and is expected to maintain positive and strong viability. We can report a strong level of acceptance and growing confidence in the operations of the Depository.

FIXED INCOME PROJECT

The JCSD continues to engage all stakeholders in the implementation of the Fixed Income Depository Project. Good support has been obtained and the need to ensure that international standards are met and wide user acceptance is secured has resulted in a revision of the expected completion date, now targeted for the middle of 2006.

MANAGEMENT STAFF

The Exchange lost the services of its General Manager for the last 16 years, Mr. Wain Iton. Our thanks are recorded for his outstanding contribution to the Exchange and best wishes in his future endeavours. Sincere congratulations to the management and staff who handled this year of transition very smoothly and demonstrated commitment and professionalism.

NEW MEMBER

Pan Caribbean Financial Services Ltd. became a member of the JSE in January 2005. We welcome their energy, which will enhance the development of the market and note that they are privileged to be the last member joining the Exchange before it demutualises.



Roy L. Johnson
Executive Chairman



Marlene Street
General Manager

GENERAL MANAGER'S REPORT

The Year 2004 was another milestone for the Jamaica Stock Exchange. The JSE celebrated its 35th anniversary as a private company pursuing the public mission of facilitating the growth and development of the nation's capital market. Our primary focus within the year was improving access to the market through education and enhanced technology and improving risk management procedures.

MACRO ECONOMIC PERFORMANCE

The macro economic indicators reflected a further decline in interest rate over the previous year and double-digit inflation. For the calendar year 2004 the dollar depreciated by 1.65% (18.51% - 2003). At the beginning of the year the exchange rate was J\$60.62 to US\$1. It closed the year at J\$61.62 to US\$1. The Net International Reserve (NIR) buttressed stability in the foreign exchange market. Investors demonstrated confidence in the market, as the JSE's index continued its upward movement throughout the year. The JSE credits this, among other things, to the fact that immediately after the passing of Hurricane Ivan, we signalled to the market that trading activities had not been affected by this natural disaster.

MARKET ACTIVITIES

The secondary market remained agile. This is reflected in the performance of the indices in 2004. For the year, the main JSE index increased by 66.68% to close at 112,655.51 points. The All Jamaican Composite (AJC) and the JSE Select closed the year at 116,218.38 and 3,176.62 points respectively.

When compared to 2003 the AJC advanced by 60,588.74 points or 108.91%, while the JSE Select appreciated by 1,478.75 points or 87.09%

Market Capitalization as at December 31, 2004, was \$879.29 billion compared to \$512.8 billion, an increase of \$366.41 or 71.4%. Over the 254-trading days of 2004, 86,875 transactions crossed the floor which is a record high. This represents 50,921 transactions or 141.6% more transactions than the previous year and is a testimony to our trading platform which has efficiently handled the increased volumes.

Top Ten Winners/Losers (2004)

Winners

Losers

Company	%	Company	%
Capital & Credit Merchant Bank	434.22	Ciboney Group	(33.33)
Pan Caribbean Financial Services	416.67	CMP Industries	(16.39)
Kingston Wharves	276.92	Montego Freeport	(9.47)
Caribbean Cement	268.57	Carreras Group	(8.57)
First Life Insurance	229.47		
Hardware & Lumber	214.21		
Lascelles, de Mercado	197.13		
Pegasus Hotels of Jamaica	194.12		
Life of Jamaica	189.74		
Dehring, Bunting & Golding	186.67		

Total volume traded amounted to 5.19 billion units valued at \$35.99 billion. When compared to 2003, volume and value appreciated by 21% and 49% respectively, demonstrating the increased interest in the market.

CORPORATE ACTIONS - LISTED COMPANIES

The JSE began 2004 with 42 listed companies but ended with 41 due to the delisting of West Indies Pulp and Paper Limited in December. Of these 42 companies, 34 distributed earnings to shareholders throughout 2004.

Radio Jamaica Limited raised \$258,732,742.50 via a non-renounceable Rights Issue of 57,496,165 Ordinary Shares of \$0.50 each at \$4.50. The shares were distributed in the proportion of 1 additional share for every 5 held as at November 18, 2004



GENERAL MANAGER'S REPORT (Cont'd)

JSE CORPORATE ACTIVITIES

On October 1, 2004 the JSE increased its Cess from 0.15625% to 0.19625%

Pan Caribbean Financial Services Limited was granted a seat on the JSE. The company began trading on January 11, 2005.

PUBLIC AWARENESS

Although there were no new listings, public awareness in respect to listing requirements and the advantages of listing was heightened through the many forums held to inform potential companies. This, we are aware will result in future listings. A public education thrust also impacted on the level of interest in the market.

JAMAICA CENTRAL SECURITIES DEPOSITORY

There were more investors who responded to the advantage of having their securities immobilized. This resulted in an increase in the number of investors with accounts in the Jamaica Central Securities Depository, (JCSD) moving from 48,609 in 2003 to 60,489 in 2004, an increase of 11, 880, or 24.4%.

TECHNOLOGY PRODUCT & SERVICES

The JSE continues to invest in technology in order to enhance the market and protect investors. Software Development and other capital acquisition increased by \$28 million in 2004.

- (i) The JSE implemented its Hotsite which is a backup site for the equities and fixed income information technology system in the event of a disaster.
- (ii) We forged ahead with the construction of a new website which will be commissioned in 2005.
- (iii) Greater emphasis was placed on market surveillance, examination, compliance and disclosure by market participants.
- (iv) Public education programmes for corporate organizations and schools was vigorously pursued.
- (v) The JSE offered the market observer facility allowing more access to market trading activities. This was widely embraced by many investors.

PROFITABILITY

The increase in market activities and a marginal increase in cess charges had a positive impact on the JSE and the JCSD. The companies' consolidated net operating income of \$109 million has shown an increase of 41 % of which the JCSD's net operating income of \$28 million resulted in an increase of \$25 million over the previous year, thus moving the company into profitability.

CORPORATE AFFAIRS

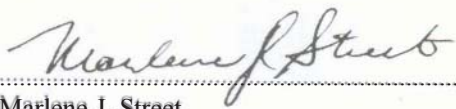
As part of the continuing thrust towards contributing towards the country's development and in response to the effects of Hurricane Ivan on the country's public facilities, in September, the JSE donated a heavy-duty washing machine costing \$390,000 to the Bustamante Hospital for Children.

The JSE also committed \$3.9 million to the renovation of the roof of the Mona Rehabilitation Centre which was destroyed after the passage of Hurricane Ivan.

FORECAST

It is expected that the level of market activities for the ensuing year will continue to be positive as we believe that our efforts to promote greater transparency by the listed companies, market education drive and our commitment to improved technology to facilitate more efficient market facilities will result in more entrants in the market in the form of investors and listed companies.

I wish to express my appreciation to the Council of the Exchange for its policy guidance, to the management colleagues and staff of the Exchange for their hard work and dedication.



.....
Marlene J. Street
General Manager

THE MANAGEMENT TEAM



FROM (L-R)

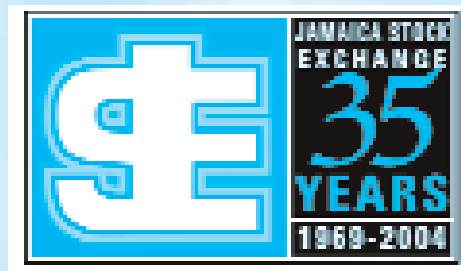
Yvonne Grinam-Nicholson, Manager Marketing & Communications - Manages the marketing and public relations portfolios as well as other communications needs of the JSE.

Suzette McNaught, Manager, Information Technology & Systems, Manages the Information Technology needs of the JSE.

Wentworth Graham - Manager, Market Operations & Trading Department.

Marlene Street - General Manager, JSE/JCSD. (Inset)





JSE CORPORATE HIGHLIGHTS 2004



In 2004 the Jamaica Stock Exchange marked its 35th anniversary with a series of events designed to pay tribute to all who have contributed to the development of this national institution.

The activities which were held from June 18 - June 23, 2004, included: the visit of Mr. Edward Kwalwasswer, Group Vice President, Regulations, New York Stock Exchange; an Industry Recognition Awards Dinner at Jamaica Pegasus Hotel; a Church Service of Thanksgiving at the University of the West Indies, Mona Chapel; Courtesy Calls on the then Leader of the Opposition, Rt. Hon. Edward Seaga; Executive Director of the Financial Services Commission, Mr. Brian Wynter; Hon. Fitz Jackson, Minister of State in the Ministry of Finance & Planning. On June 22, the 35th Anniversary Symposium: **"GEARING JAMAICAN COMPANIES FOR THE 21ST CENTURY: NEW STRATEGIES AND STANDARDS"** was held at the Grande Jamaican Suite Jamaica Pegasus Hotel. Keynote speaker was Mr. Kwalwasswer.



THE JSE WORSHIPS: The JSE had the blessings of the church on its 35th anniversary celebrations. Rev. Garth Minott, (third left) was the celebrant and he has a word for, (l-r): Mr. Roy Johnson; Mrs. Marlene Street and Mr. Wain Iton, former General Manager. A member of staff Annette Headman, is in the background.

A Round of Courtesy Calls



A commemorative gift to: Brian Wynter, Executive Director of the Financial Services Commission (right).



...and to Messrs. Audley Shaw (right) and Rt. Hon. Edward Seaga, Former Leader of the Opposition (second right).



Hon. Minister of State in the Ministry, Fitz Jackson (left) accepts his gift from Mr. Kwalwasswer.



Mr. Oliver Clarke, Managing Director of the Gleaner Company, (second right) accepts his gift.

Anniversary Symposium

Edward A. Kwalwasswer, was the Keynote speaker at the JSE's Symposium, "Gearing Jamaican Companies for the 21st Century: New Strategies And Standards." The Symposium was held to mark this milestone in the JSE's existence and the topics were an amalgam of issues central to the development of the market and its constituents, that is, listed companies, potential listed companies, market regulators, and others.

The Symposium attracted several local speakers who focussed on topics relevant to the Exchange's development. Among the speakers were: Richard Byles, President/CEO of Life of Jamaica who was the Moderator; Ryland Campbell, Chairman/CEO, Capital & Credit Financial Group; Christopher Bovell, Chairman of Dyooll Group; President of the Institute of Chartered Accountants of Jamaica (ICAJ), Mr. Linroy Marshall and Brian Wynter, Executive Director, Financial Services Commission



INDUSTRY AWARDS DINNER

The industry awards dinner recognized the work of participants in the securities industry who have made a contribution to its growth and development. Sixteen listed companies, the Bank of Jamaica, as well as several persons, including members of staff, received awards.



The Most Hon. Edward P.G. Seaga, O.N., P.C., M.P.: was the Minister of Finance when the JSE was established and was saluted for his contribution towards market development.



Hon. Fitz Jackson accepts an award on behalf of Minister of Finance & Planning, Dr. Omar Davies. Through the efforts of Dr. Davies, the Government's decision to eliminate the tax on dividends culminating in April 2002 has had a positive impact on the market.



Hon. Dr. Alfred Rattray (deceased) spearheaded the drafting and approval of the Memorandum and Articles of Association of the Jamaica Stock Exchange in 1968. At the function, Dr. Rattray presented, Mr. Johnson with documents containing, the original Memorandum and Articles of Association of the JSE.



John Jackson: Contribution to the public understanding of the securities market and through the media.



Pegasus Hotels of Jamaica's Eldon Bremner, receives from Mrs. Rema Johnson, wife of the JSE's Executive Chairman.



Caribbean Cement Company's , Anthony Haynes receives from Mrs. Carla Seaga.

INDUSTRY AWARDS DINNER



Past General Managers: Mrs. Joyce Woodham and Mr. Wain Iton.



Past Council Members: Basil Buck: Former Council Member and a past Council Chairman (1975).



Rita Humphries-Lewin: The longest serving Council Chairman, (November 1984- July 1986 and 1995 - 2000).



Edwin McKie: One of the longest serving Council Members (1994)

LONG SERVICE AWARDS FOR STAFF



Noilet Davis (Offices Services): 15 years



Susan Williams (Finance & Administration): 10 Years



LONG SERVICE AWARDS FOR STAFF



Yvonne Grinam-Nicholson (Communications & Marketing): 10 years



Charlett Eddie-Nugent (Communications & Marketing): 8 years



Wentworth Graham (Market Operations & Trading): 8 Years



Beulah Johnson (Jamaica Central Securities Depository): 6 Years

JSE/JAMAICA OBSERVER POWER BREAKFAST



The first JSE/Jamaica Observer Round Table for potential listings was held on October 29, 2004. Twelve owners and/or their representatives attended what was a successful event which was spearheaded by the JSE and the Business Observer Editor Moses Jackson. Resource personnel were: Adrian Robinson - Managing Director of Marketing Counsellors Ltd.; Noel Levy, Snr. Partner, - Myers Fletcher & Gordon and Paul Cole- Director, KPMG.

In photo Mr. Gordon 'Butch' Stewart, (right) makes a point to Mr. Peter Bunting of DB&G.

HISTORIC INDEX HIGHPOINT



100,000 POINTS STRONG: The members of the JSE Council were in a celebratory mood when the JSE index hit 100,000 points on April 1, 2004. Here, (l-r) Roy Johnson, JSE Executive Chairman; Curtis Martin, Deputy Chairman; David Wan, General Manager, VM Wealth Management; Mr. Alvaro Casserly (Council Member); Mr. Johnsthan Brown (former Council Member), are pictured in foreground. In the background are staff and other Council Members.

FINANCIAL & STATISTICAL HIGHLIGHTS

	2004	2003	2002	2001	2000	1999	1998	1997
Revenue (\$)	219,395,000	160,997,000	76,612,000	65,116,000	47,325,000	51,132,000	45,533,824	56,423,394
Expenses (\$)	135,495,000	101,216,000	70,586,000	67,496,000	52,898,000	52,528,000	51,194,917	51,951,008
Income Before Taxes (\$)	83,900,000	59,781,000	6,026,000	-2,380,000	-9,573,000	(1,396,000)	-5,661,093	4,472,586
Net Income After Tax	109,001,000	77,313,000	25,753,000	21,996,000	17,023,000	5,351,000	21,820,000	1,515,809
Compensation Fund (\$)	378,839,000	331,517,000	280,604,000	253,953,000	218,167,000	190,616,000	181,143,603	153,882,619
Members' Equity	403,770,000	287,029,000	244,717,000	241,474,000	191,156,000	200,153,000	202,323,088	207,763,754
Reported Share Volume (Millions)* (Units)	5,194.56	4,290.43	1,604.59	2,845.20	694.90	520.531	604.54	905.42
Daily Average Share Volume (Millions) (Units)	20.45	17.09	6.39	11.43	3.49	2.602	1.83	4.48
Reported Dollar Value (Millions)* (\$)	35,994.85	24,237.33	7,636.88	5,948.36	3,441.08	2,218.71	2,064.24	4,594.42
Daily Average Dollar Value (Millions) (\$)	141.71	96.53	30.43	23.89	17.29	11.093	7.33	22.74
JSE Market Index as at December 31	112,655.51	67,586.72	45,396.21	33,835.59	28,893.24	21,892.58	20,593.32	19,846.67
Member Organizations	11	10	10	10	6	6	8	8
New Listed Companies/Securities	Nil	2	Nil	1	5	1	Nil	Nil
Total Listed Companies	41	42	41	43	45	45	48	49
Total Shares Listed (Billions)	42.28	41.88	35.77	33.19	29.49	23.04	19.32	17.27
Market Capitalization as at December 31: (Billions) (\$)	879.30	512.88	292.3	222.0	160.14	104.04	79.04	79.62



AUDITORS' REPORT & STATEMENTS



**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

YEAR ENDED DECEMBER 31, 2004

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Statement I

AUDITORS' REPORT To the members of THE JAMAICA STOCK EXCHANGE LIMITED

We have audited the accompanying consolidated balance sheet of The Jamaica Stock Exchange Limited and its subsidiary as of December 31, 2004 and the related consolidated income and expenditure account, consolidated statement of changes in equity and consolidated cash flows for the year then ended and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, present fairly in all material respects the state of the group's and the company's affairs as at December 31, 2004 and of the results of operations, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

Chartered Accountants
Kingston, Jamaica,
May 3, 2005

A member firm of
Deloitte Touche Tohmatsu

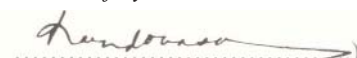
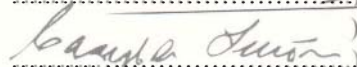
Donald S. Reynolds, Carey O. Metz, Audley L. Gordon, Winston G. Robinson, Fagan E. Calvert

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2004**

	Notes	2004 \$'000	2003 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	53,682	44,944
Intangible assets	4	34,270	13,029
Investments in securities			
Compensation Fund	6(a)	187,519	137,195
Other	6(b)	183,700	97,642
Long-term receivable	7	864	400
Retirement benefit asset	8	<u>15,986</u>	<u>3,051</u>
		<u>476,021</u>	<u>296,261</u>
Current assets			
Accounts receivable and prepayments	9	35,519	29,280
Investments in securities			
Compensation Fund	6(a)	191,320	194,322
Other	6(b)	101,964	108,412
Cash and bank deposits	10	<u>15,076</u>	<u>18,057</u>
		<u>343,879</u>	<u>350,071</u>
Total assets		<u><u>819,900</u></u>	<u><u>646,332</u></u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	11	2	2
Reserves			
Share premium		8,040	8,040
Capital reserve	12	104,900	54,900
Capital redemption reserve fund		100	100
Other reserve	13	1,682	1,257
Contingency reserve	14	356,349	311,372
Revenue reserve			
Income and expenditure account	15	<u>289,046</u>	<u>222,730</u>
		<u>760,119</u>	<u>598,401</u>
Non-current liabilities			
Long-term liability	16	3,847	-
Deferred tax liability	17	<u>23,307</u>	<u>28,742</u>
		<u>27,154</u>	<u>28,742</u>
Current liabilities			
Accounts payable and accruals	18	20,272	9,859
Income tax payable		<u>12,355</u>	<u>9,330</u>
		<u>32,627</u>	<u>19,189</u>
Total equity and liabilities		<u><u>819,900</u></u>	<u><u>646,332</u></u>

The notes on Statement VII form an integral part of the financial statements.

The financial statements on Statements II to VII were approved and authorized for issue by the Board of Directors on May 3, 2005 and are signed on its behalf by:

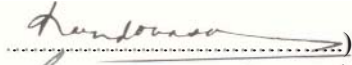
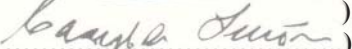

 _____)

 _____) Directors

THE JAMAICA STOCK EXCHANGE LIMITED
BALANCE SHEET AT DECEMBER 31, 2004

	Notes	2004 \$'000	2003 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	53,131	44,467
Intangible assets	4	5,847	3,037
Investment in subsidiary	5	71,730	23,500
Investments in securities			
Compensation Fund	6a	187,519	137,195
Other	6b	178,236	97,642
Long-term receivable	7	864	400
Retirement benefit asset	8	<u>12,789</u>	<u>1,952</u>
		<u>510,116</u>	<u>308,193</u>
Current assets			
Accounts receivable and prepayments	9	28,398	25,995
Investments in securities			
Compensation Fund	6a	191,320	194,322
Other	6b	85,258	101,157
Cash and bank deposits	10	<u>10,427</u>	<u>15,007</u>
		<u>315,403</u>	<u>336,481</u>
Total assets		<u><u>825,519</u></u>	<u><u>644,674</u></u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	11	2	2
Reserves			
Share premium		8,040	8,040
Capital reserve	12	104,900	54,900
Capital redemption reserve fund		100	100
Other reserve	13	1,682	1,257
Contingency reserve	14	356,349	311,372
Revenue reserve			
Income and expenditure account	15	<u>289,046</u>	<u>222,730</u>
		<u>760,119</u>	<u>598,401</u>
Non-current liabilities			
Long-term liability	16	3,847	-
Deferred tax liability	17	<u>30,411</u>	<u>28,742</u>
		<u>34,258</u>	<u>28,742</u>
Current liabilities			
Accounts payable and accruals	18	17,215	7,318
Income tax payable		<u>13,927</u>	<u>10,213</u>
		<u>31,142</u>	<u>17,531</u>
Total equity and liabilities		<u><u>825,519</u></u>	<u><u>644,674</u></u>

The notes on Statement VII form an integral part of the financial statements.

The financial statements on Statements II to VII were approved and authorized for issue by the Board of Directors on May 3, 2005 and are signed on its behalf by:


 _____) Directors

 _____)

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED DECEMBER 31, 2004**

	Notes	<u>2004</u> \$'000	<u>2003</u> \$'000
OPERATIONS			
Income			
Cess		107,345	78,584
Fee income		<u>51,351</u>	<u>26,330</u>
		158,696	104,914
Expenses		<u>135,495</u>	<u>101,216</u>
Surplus before investment and other income		23,201	3,698
Investment and other income	19	<u>60,699</u>	<u>56,083</u>
Surplus on operations before taxation		<u>83,900</u>	<u>59,781</u>
COMPENSATION FUND			
Compensation Fund investment income (net)	19	<u>60,201</u>	<u>56,596</u>
SURPLUS BEFORE TAXATION	19	144,101	116,377
Taxation			
	21(a)	(<u>35,100</u>)	(<u>39,064</u>)
NET SURPLUS OF THE GROUP FOR THE YEAR	22	<u>109,001</u>	<u>77,313</u>

The notes on Statement VII form an integral part of the financial statements.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2004**

Notes	Share Capital \$'000	Share Premium \$'000	Capital Reserve \$'000	Capital Redemption Reserve Fund \$'000	Other Reserve \$'000	Contingency Reserve \$'000	Income and Expenditure Account \$'000	Total \$'000
Balance at January 1, 2003 (restated)	2	8,040	54,900	100	767	271,598	180,908	516,315
Net surplus for the year as restated	-	-	-	-	-	-	77,313	77,313
Fair value adjustment	-	-	-	-	735	6,425	-	7,160
Deferred tax charge for year	-	-	-	-	(245)	(2,142)	-	(2,387)
Reduction in retirement benefit asset	-	-	-	-	-	-	-	-
Appropriation from income and expenditure account to contingency reserve fund	-	-	-	-	-	35,491	(35,491)	-
Restated balance at December 31, 2003	2	8,040	54,900	100	1,257	311,372	222,730	598,401
Realised gain on sale of a share to a new member	-	-	50,000	-	-	-	-	50,000
Net surplus for the year	-	-	-	-	-	-	109,001	109,001
Fair value adjustment	-	-	-	-	638	3,438	-	4,076
Deferred tax adjustment for year	-	-	-	-	(213)	(1,146)	-	(1,359)
Appropriation from income and expenditure account to contingency reserve fund	-	-	-	-	-	42,685	(42,685)	-
Balance at December 31, 2004	<u>2</u>	<u>8,040</u>	<u>104,900</u>	<u>100</u>	<u>1,682</u>	<u>356,349</u>	<u>289,046</u>	<u>760,119</u>

The notes on Statement VII form an integral part of the financial statements.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u> \$'000	<u>2003</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
	109,001	77,313
Net surplus		
Non-cash items included in net surplus	5,103	3,925
Depreciation	1,626	3,447
Amortisation of intangible assets	(6,794)	12,226
Deferred tax adjustment	46	1,072
Loss on disposal of property, plant and equipment	(1,037)	(12,111)
Unrealised foreign exchange gains on investments	-	503
Write-off of shares in Eastern Caribbean Securities Exchange		
Net amortization of discount on held-to-maturity investments	-	(102)
Decrease in retirement benefit asset	95,010	87,199
(Increase) decrease in operating assets	(6,239)	(13,051)
Accounts receivable and prepayments		
(Decrease) increase in operating liabilities	10,413	(743)
Accounts payable and accruals	<u>3,025</u>	<u>8,727</u>
Income tax payable	<u>102,209</u>	<u>82,132</u>
Cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of investments in securities	(46,006)	(35,641)
Compensation Fund	(75,813)	(57,483)
Other	(13,892)	(3,069)
Acquisition of property, plant and equipment	(22,867)	(9,623)
Acquisition of intangible assets	5	239
Proceeds on disposal of property, plant and equipment	<u>(464)</u>	<u>(400)</u>
Long-term receivables		
Cash used in investing activities	<u>(159,037)</u>	<u>(105,977)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	50,000	-
Transfer of share of a premium	<u>3,847</u>	<u>-</u>
Lease financing	<u>53,847</u>	<u>-</u>
Cash used in financing activities	(2,981)	(23,845)
NET (DECREASE) INCREASE IN CASH AND BANK DEPOSITS	<u>18,057</u>	<u>41,902</u>
OPENING CASH AND BANK DEPOSITS	<u>15,076</u>	<u>18,057</u>

The notes on Statement VII form an integral part of the financial statements.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

1 GROUP IDENTIFICATION

(a) Composition of the Group

The group comprises the Jamaica Stock Exchange Limited (parent) which is incorporated in Jamaica and its wholly-owned subsidiary, Jamaica Central Securities Depository Limited, (subsidiary) which is also incorporated in Jamaica. The registered offices of both companies are situated at 40 Harbour Street, Kingston, Jamaica.

(b) Principal Activities

<u>Name of Company</u>	<u>Principal Activity</u>
The Jamaica Stock Exchange Limited	The operation of a stock exchange and the development of a stock market in Jamaica.
Jamaica Central Securities Depository Limited	To establish and maintain a Central Securities Depository (CSD) in Jamaica to transfer ownership of securities "by book entry", including shares, stocks, bonds or debentures of companies and other eligible securities.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The group's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS).

The financial statements have been prepared under the historical cost basis, except for revaluation of available-for-sale investments.

Reporting Period

The parent and subsidiary company prepared financial statements for the year ended December 31, 2004.

Reporting Currency

These financial statements are expressed in Jamaican dollars.

(b) Principles of consolidation

The consolidated financial statements include financial statements of the Jamaica Stock Exchange Limited and its wholly-owned subsidiary Jamaica Central Securities Depository Limited. All the inter-group balances, transactions and unrealised profits have been eliminated.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and any adjustments that may be necessary would be reflected in the year in which actual results are known.

(d) Property, plant and equipment

All property, plant and equipment held for use in the supply of services, or for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is calculated on the straight-line basis on cost over the estimated lives of assets. Annual depreciation rates are based on the following estimated useful lives:

Buildings	-	40 years
Furniture and fixtures	-	10 years
Office equipment	-	5 years
Computer hardware	-	5 years
Motor vehicles	-	5 years

No depreciation is provided on land.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net carrying amount of the asset and is recognized in income.

(e) Intangible assets

These consist of computer software. Computer software are measured initially at purchase cost and amortised on a straight-line basis on cost over the estimated useful lives which are 3 - 5 years.

(f) Investments in securities

The group classifies investments in securities into the categories held to maturity, originated debt and available-for-sale securities. Management determines the appropriate classification of investments at the time of purchase.

Investments are recognized on a trade-date basis and are initially measured at cost, including transaction costs.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Investments in securities (Cont'd)

Held-to-maturity securities are those which the group has the interest and ability to hold-to-maturity. These are initially recognized at cost (including transaction costs). Any premium or discount are amortised using the effective interest rate method over the life of the bond.

Originated debt securities include those where money is provided to the issuer, either directly or through an intermediary, other than those that are originated with the intent to be sold immediately or in the short-term, which are recorded as trading securities. They are initially recorded at cost, which is the cash given to originate the debt including any transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. They are initially recognized at cost (including transaction costs) and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognized in equity, until the security is disposed of, or is determined to be impaired at which time the cumulative gain or loss previously recognized in equity is included in net surplus or deficit for the year.

(g) Retirement benefit costs

The group operates a defined benefits pension plan for its employees.

The cost of providing benefits is determined using the Projected Unit Credit Method, with independent actuarial valuation being carried out each year. Unrecognised actuarial gains and losses at the beginning of the year are amortised over the expected average remaining working lives of the participating employees. Past services cost is recognized immediately to the extent that the benefits are already vested, and otherwise amortised on a straight-line basis over the average period until the amended benefit becomes vested.

The retirement benefit asset recognized in the balance sheet represents the present value of the defined benefit obligations as adjusted for unrecognized actuarial gains and losses, unrecognized past service costs and as reduced by the fair value of plan assets.

Retirement benefit asset resulting from this calculation is limited to the total of any accumulated unrecognized net actuarial losses and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in contributions to the plan (IAS 19 paragraph 58). If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after deduction of past service cost of the current period are recognized immediately provided the resulting asset is determined in accordance with IAS 19 paragraph 58.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Accounts receivable

These amounts, which are expected to be settled within a year of inception, are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts where necessary. The allowance for irrecoverable amounts is determined by reference to past default experience.

(i) Cash and bank deposits

For the purposes of the cash flow statement, cash and bank deposits comprise cash at bank and in hand and bank deposits having an original maturity of three months or less.

(j) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable surplus for the year. Taxable surplus differs from the net surplus as reported in the income and expenditure account balance. It excludes items of revenue or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profits and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable surplus will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the tax surplus nor the accounting surplus.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates currently enacted, which rates are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income and expenditure account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited in equity.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Accounts payable

These amounts are stated at their nominal value.

(l) Income

(i) Parent

Income from operation of the parent is cess levied on investors. The amounts are based on a percentage of the volume of business done through brokers on the Exchange.

(ii) Subsidiary

Income from operations of the subsidiary is service fees levied on participants of the CSD which include brokers and institutional investors. The service fees comprise membership fees, account maintenance fees and user fees.

(m) Compensation fund

(i) Compensation fund receipts

These are contributions by members of the Stock Exchange, based on a percentage of the volume of business done by them through the Exchange, for maintaining the Contingency Reserve Fund. However, during the year there were no contributions by the members as the council was of the view that the reserve was adequate for the specific purpose. (See Note 2(m)(ii)).

(ii) Contingency reserve

This fund is created out of surplus for the purpose of providing some protection to the investing public against losses. Provisions in respect of the fund are in accordance with Sections 27 to 35 of The Securities Act. The Council has decided to transfer each year from income and expenditure account to the fund an amount equivalent to the total of compensation fund receipts (Note 2(m)(i)) and compensation fund investment income net of the charge for income tax related to such receipts and investment income. The amount of the fund is invested as detailed in Note 6(a).

(n) Foreign currencies

Transactions in foreign currencies have been converted to Jamaican dollars at the rates of exchange ruling at the dates of those transactions. Assets and liabilities denominated in foreign currencies are translated to Jamaican dollars at exchange rates current at balance sheet date. All exchange gains and losses are credited to, or charged against, income of the year.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

2 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Financial instruments

Financial instruments include contracts that give rise to both financial assets and financial liabilities. Financial assets include investments in securities, accounts receivable and cash and bank deposits. Financial liabilities include long-term liability and accounts payable.

Property, plant and equipment, intangible assets, retirement benefit assets, prepayments, deferred taxes, accruals and income tax payable are treated as non-financial instruments.

The fair value of financial instruments is discussed in Note 23.

(p) Impairment

At each balance sheet date, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the greater of net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to assets.

If the recoverable amounts of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004**

3 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land \$'000	Freehold Buildings \$'000	Furniture & Fixtures \$'000	Office Equipment \$'000	Computer Hardware \$'000	Leased Computer Equipment \$'000	Motor Vehicles \$'000	TOTAL \$'000
(a) THE GROUP								
At cost								
January 1	5,154	39,007	4,572	3,916	15,634	4,840	716	73,839
Additions	-	741	932	221	11,998	-	-	13,892
Disposals	-	(44)	-	(18)	-	-	-	(62)
December 31	5,154	39,704	5,504	4,119	27,632	4,840	716	87,669
Depreciation								
January 1	-	7,073	3,127	3,014	13,191	1,775	715	28,895
Charge for year	-	981	455	289	2,410	968	-	5,103
Disposal	-	(3)	-	(8)	-	-	-	(11)
December 31	-	8,051	3,582	3,295	15,601	2,743	715	33,987
Net book value								
December 31, 2004	5,154	31,653	1,922	824	12,031	2,097	1	53,682
December 31, 2003	5,154	31,934	1,445	902	2,443	3,065	1	44,944
(b) THE COMPANY								
At cost								
January 1	5,154	39,007	4,454	3,438	11,043	4,840	716	68,652
Additions	-	741	904	201	11,854	-	-	13,700
Disposals	-	(44)	-	(18)	-	-	-	(62)
December 31	5,154	39,704	5,358	3,621	22,897	4,840	716	82,290
Depreciation								
January 1	-	7,073	3,068	2,788	8,766	1,775	715	24,185
Charge for year	-	981	441	227	2,368	968	-	4,985
Disposals	-	(3)	-	(8)	-	-	-	(11)
December 31	-	8,051	3,509	3,007	11,134	2,743	715	29,159
Net book value								
December 31, 2004	5,154	31,653	1,849	614	11,763	2,097	1	53,131
December 31, 2003	5,154	31,934	1,386	650	2,277	3,065	1	44,467

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004**

4 INTANGIBLE ASSETS THE

	The Group			The Company	
	Computer Software \$'000	Computer Software Development Project \$'000	Total \$'000	Computer Software \$'000	Total \$'000
Cost					
At January 1	13,117	9,146	22,263	5,561	5,561
Additions	7,747	15,120	22,867	4,134	4,134
Disposals	-	-	-	-	-
At December 31	20,864	24,266	45,130	9,695	9,695
Amortisation					
At January 1	9,234	-	9,234	2,524	2,524
Charge for the period	1,626	-	1,626	1,324	1,324
Disposals	-	-	-	-	-
At December 31	10,860	-	10,860	3,848	3,848
Carrying amount					
December 31, 2004	10,004	24,266	34,270	5,847	5,847
December 31, 2003	3,883	9,146	13,029	3,037	3,037

5 INVESTMENT IN SUBSIDIARY

	The Company	
	2004 \$'000	2003 \$'000
Shares - at cost	55,000	55,000
Advances	32,258	12,044
	87,258	67,044
Share of accumulated deficit of subsidiary company	(15,528)	(43,544)
	71,730	23,500

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004**

6 INVESTMENTS IN SECURITIES

(a) Compensation Fund

	<u>The Group and the Company</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Held-to-maturity		
Government of Jamaica Securities		
Variable Rates Local Registered Stock	30,577	37,353
Fixed Rate Local Registered Stocks	26,449	26,355
Investment Debentures		
Series W	-	12,365
Series X	-	4,667
Series Z	-	6,900
Series Aa	16,915	33,830
Series Ac	6,700	6,700
Series 2007	3,002	-
Series An	19,118	-
Series Am	23,700	-
Series Af	3,000	-
Series Ag	18,700	-
Investment Bonds		
Series 2006 C	1,500	-
Series 2007 G	8,739	-
Series 2008 E	3,300	-
Series 2008 K	1,300	-
Treasury bills	-	5,594
Foreign Currency Investments		
GOJ Fixed Rate US\$ Index Bonds - 2004 (US\$40,200)	-	2,429
GOJ Fixed Rate US\$ Global Bonds - 10.625% (US\$350,000 - 2017)	21,446	-
GOJ Fixed Rate US\$ Index Bonds - 2005 A (US\$10,400)	637	628
GOJ 12% US\$ Notes - 2005 (US\$230,000)	14,093	13,896
Government of Belize guaranteed mortgage notes - 2014 (US\$49,201) (2003: US\$50,393)	3,015	3,044
MAN-IP Multi-strategy Series 3 Limited Bonds - 2005 (US\$250,000)	<u>15,319</u> <u>217,510</u>	<u>15,104</u> <u>168,865</u>
Available-for-sale		
Investment in Unit Trust	<u>23,888</u>	<u>20,450</u>
Money Market Funds		
Originated debt	107,748	95,019
Repurchase agreements		
Repurchase agreements (US\$275,406) (2003: US\$388,604)	<u>16,875</u> <u>124,623</u>	<u>23,478</u> <u>118,497</u>

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6 INVESTMENTS IN SECURITIES (Cont'd)

(a) Compensation Fund (Cont'd)

	<u>The Group and the Company</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Cash and Others		
Bank and short-term deposits	2,377	4,911
Interest receivable	16,038	24,466
Other receivables	1	58
Payables	<u>(5,598)</u>	<u>(5,730)</u>
	<u>12,818</u>	<u>23,705</u>
	378,839	331,517
Less: Current portion	<u>(191,320)</u>	<u>(194,322)</u>
	<u>187,519</u>	<u>137,195</u>
The movement for the year on available-for-sale investments are as follows:		
Opening balance	20,450	14,025
Increase in fair value	<u>3,438</u>	<u>6,425</u>
Closing balance	<u>23,888</u>	<u>20,450</u>

In 2002 the company had investments amounting to approximately \$1.6 million held in an escrow account specifically for stockbroking clients of the Stock Exchange which were not included in these financial statements.

(b) Other

	The Group		The Company	
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Held-to-maturity				
Government of Jamaica Securities				
Variable Rates Local Registered				
Stocks	32,000	32,000	32,000	32,000
Fixed Rate Local Registered Stocks	25,071	45,373	25,071	45,373
Investment Debentures				
Series S	-	1,500	-	1,500
Series W	-	4,000	-	4,000
Series Z	-	400	-	-
Series Aa	1,100	2,200	500	1,000
Series Ag	6,600	-	5,000	-
Series Am	4,576	-	4,126	-
Series Ap	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
Carried forward	109,347	85,473	106,697	83,873

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6 INVESTMENTS IN SECURITIES (Cont'd)

(b) Other (Cont'd)

	The Group		The Company	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Brought forward	109,347	85,473	106,697	83,873
<i>Government of Jamaica VR</i>				
<i>Investment Bonds JS</i>				
Series C	7,811	-	7,197	-
Series D	2,700	-	2,000	-
Series G	8,500	-	7,000	-
Series E	500	-	-	-
Series K	2,400	-	-	-
<i>Foreign Currency Investments</i>				
Government of Belize guaranteed mortgage notes - 2014 (US\$49,201) (2003- US\$50,393)	3,015	3,044	3,015	3,044
GOJ 11.625% US\$ Index Bond - 2005 (US\$236,700)	14,504	14,300	14,504	14,300
MAN-IP Multi - strategy (Series 3) Limited Bonds - 2005 (US\$250,000)	15,319	15,104	15,319	15,104
GOJ 11.75% US\$ Index Bond - 2006 (US\$50,000)	3,064	3,020	3,064	3,020
GOJ 10.625% US\$ Index Bond - 2017 (US\$410,000)	25,122	-	25,122	-
	<u>192,282</u>	<u>120,941</u>	<u>183,918</u>	<u>119,341</u>
<u>Available-for-sale</u>				
Investments in Unit Trust				
Money Market Fund	4,713	4,075	4,713	4,075
<u>Originated debt</u>				
Repurchase agreements	88,669	81,038	74,863	75,383
	285,664	206,054	263,494	198,799
Less: Current portion	(101,964)	(108,412)	(85,258)	(101,157)
	<u>183,700</u>	<u>97,642</u>	<u>178,236</u>	<u>97,642</u>

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6 INVESTMENTS IN SECURITIES (Cont'd)

(b) Other (Cont'd)

The movement for the year on available-for-sale investment is as follows:

	<u>The Group and the Company</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Opening balance	4,075	3,843
Increase in fair value	638	735
Write-off	-	(503)
Closing balance	<u>4,713</u>	<u>4,075</u>

7 LONG-TERM RECEIVABLE

This represents motor vehicle loans granted to employees. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the year-end, is included in other receivable.

8 RETIREMENT BENEFIT SCHEME

The group operates a defined benefit pension plan for its employees. The scheme is funded by employee contributions of 5% of pensionable salary, with an option for additional voluntary contributions of up to 5% of pensionable salary. The companies in the group contribute such funds as necessary to meet the obligations of the scheme. The pension benefits are determined on a final salary basis at 1½% of final pensionable salary times pensionable years of service.

The disclosures below are based on independent actuarial valuation carried out during the year.

Amounts recognized in income in respect of the scheme are as follows:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Current service cost	(133)	106
Interest cost	529	532
Expected return on plan assets	(4,130)	(2,966)
Recognised gains	-	(3,787)
(Decrease) increase in unrecognized assets	<u>(8,021)</u>	<u>7,900</u>
Total included in staff costs (Note 20)	<u>(11,755)</u>	<u>1,785</u>
Actual return on plan assets	<u>5,735</u>	<u>6,374</u>

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8 RETIREMENT BENEFIT SCHEME (Cont'd)

Amount included in the balance sheet in respect of the scheme is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligations	(6,614)	(3,524)	(5,291)	(2,255)
Fair value of plan assets	42,849	34,421	34,279	22,028
Unrecognised actuarial gains	(424)	-	(339)	-
Assets not recognized due to limitation in paragraph 58 of IAS 19	<u>(19,825)</u>	<u>(27,846)</u>	<u>(15,860)</u>	<u>(17,821)</u>
Net asset in balance sheet	<u>15,986</u>	<u>3,051</u>	<u>12,789</u>	<u>1,952</u>

Movements in the net asset in the current period were as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
At January 1	3,051	3,977	1,952	2,744
Amount charged to income	11,755	(1,785)	9,938	(1,337)
Contributions paid	<u>1,180</u>	<u>859</u>	<u>899</u>	<u>545</u>
At December 31	<u>15,986</u>	<u>3,051</u>	<u>12,789</u>	<u>1,952</u>

Key assumptions used:

	<u>The Group</u>	
	<u>2004</u>	<u>2003</u>
Discount rate	12.5%	15.0%
Expected return on plan assets	10.0%	12.0%
Expected rate of salary increase	9.0%	10.0%
Future pension increases	0.0%	0.0%

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9 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
Fees and contributions receivable	10,476	7,495	8,432	6,394
Interest receivable	11,654	17,521	10,723	16,908
Prepayments	7,676	3,208	6,244	1,593
Other	<u>6,312</u>	<u>1,655</u>	<u>3,513</u>	<u>1,614</u>
	36,118	29,879	28,912	26,509
Less: Provision for impairment	<u>599</u>	<u>599</u>	<u>514</u>	<u>514</u>
	<u><u>35,519</u></u>	<u><u>29,280</u></u>	<u><u>28,398</u></u>	<u><u>25,995</u></u>

The directors consider that the carrying amount of accounts receivable approximates their fair value.

10 CASH AND BANK DEPOSITS

These comprise cash and bank deposits with maturity of within three months of the date of the original deposit held by the group. Bank deposits include interest bearing deposits totaling \$11.1 million (2003: \$14.6 million) including foreign currency deposits amounting to \$1.4 million (2003: \$4.4 million).

Interest on the local currency deposits ranged between 14% to 16.5% (2003: 18% to 21.75%) per annum and the interest on foreign currency deposit ranged from 6.1% to 8% (2003: 7% to 7.5%) per annum.

11 SHARE CAPITAL

	<u>Authorised</u>	<u>Issued and fully paid</u>	
	\$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
Ordinary shares of \$200 each Authorised: 20 ordinary shares (Issued and fully paid: 11 ordinary shares)	4	2	<u>2</u>
Redeemable preference shares of \$1 each	<u>100</u> <u>104</u>	— <u>2</u>	— <u>2</u>

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11 SHARE CAPITAL (Cont'd)

Subsequent to the balance sheet date, by resolution dated January 26, 2005, the authorized capital of the company was increased from \$104,000 to \$700,000,000 by the creation of 699,896,000 ordinary shares of \$1.00 each. The existing authorized share capital has been changed as follows:

- Existing 20 ordinary shares of \$200.00 each converted to 4,000 ordinary shares of \$1.00 each.
- Existing 100,000 preference shares of \$1.00 each to 100,000 ordinary shares of \$1.00 each.

12 CAPITAL RESERVE

This comprises net realised gains in relation to shares repurchased by the company at par in compliance with Article 9 of the Articles of Association and the subsequent sale of these shares to new members of the Stock Exchange.

13 OTHER RESERVE

This reserve represents the fair value adjustment relating to available-for-sale investments in securities - other (Note 6(b)). The balance is as follows:

	The Group and the Company	
	2004	2003
	\$'000	\$'000
Fair value adjustments	2,523	1,885
Deferred tax charges	(841)	(628)
	<u>1,682</u>	<u>1,257</u>

14 CONTINGENCY RESERVE

	The Group and the Company	
	2004	2003
	\$'000	\$'000
The transfer from income and expenditure account comprises:		
Surplus - Compensation fund before taxation	60,201	56,596
Less:		
Income tax charge for year at 33 1/3%	22,328	10,517
Deferred tax adjustment	(4,812)	10,588
	<u>17,516</u>	<u>21,105</u>
	<u>42,685</u>	<u>35,491</u>

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14 CONTINGENCY RESERVE (Cont'd)

This reserve comprises:

	<u>The Group and the Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000
Investment before fair value adjustment	359,715	315,831
Fair value adjustments	<u>19,124</u>	<u>15,686</u>
Investments in securities (see Note 6(a))	378,839	331,517
Income tax payable	(6,416)	(405)
Deferred tax liability	<u>(16,074)</u>	<u>(19,740)</u>
	<u><u>356,349</u></u>	<u><u>311,372</u></u>

15 REVENUE RESERVE - PROFIT AND LOSS ACCOUNT

Reflected in the financial statements of the:

	<u>2004</u> \$'000	<u>2003</u> \$'000
	Parent company	304,574
Subsidiary	<u>(15,528)</u>	<u>(43,544)</u>
	<u><u>289,046</u></u>	<u><u>222,730</u></u>

16 LONG-TERM LIABILITY

Future minimum payments for finance lease obligations as at December 31 are:

	<u>The Group and the Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000
2004	-	820
2005	3,847	-
2006	3,847	-
2007	<u>962</u>	<u>-</u>
Total minimum lease payments	8,656	820
Less: Future lease charge	<u>(1,040)</u>	<u>(60)</u>
Lease obligation (US\$123,580) (2003 - US\$13,530)	7,616	760
Less: Current portion (Note 18)	<u>(3,769)</u>	<u>(760)</u>
	<u><u>3,847</u></u>	<u><u>-</u></u>

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17 DEFERRED TAX

Analysis for financial reporting purposes.

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
Deferred tax asset	10,804	1,363	-	-
Deferred tax liabilities	<u>(34,111)</u>	<u>(30,105)</u>	<u>(30,411)</u>	<u>(28,742)</u>
Net position at December 31	<u>(23,307)</u>	<u>(28,742)</u>	<u>(30,411)</u>	<u>(28,742)</u>

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000
At January 1	28,742	14,129	28,742	14,129
(Credited) charged to income for the year	(6,794)	12,226	310	12,226
Charged to other reserve	213	245	213	245
Charged to contingency reserve	<u>1,146</u>	<u>2,142</u>	<u>1,146</u>	<u>2,142</u>
At December 31	<u>23,307</u>	<u>28,742</u>	<u>30,411</u>	<u>28,742</u>

The following are the deferred tax asset and deferred tax liabilities recognized by the Group during the year:

Deferred Tax Asset

	<u>The Group</u>	
	<u>Tax Loss</u>	<u>Total</u>
	\$'000	\$'000
At January 1, 2004	1,363	1,363
Credited to income for the year	<u>9,441</u>	<u>9,441</u>
At December 31, 2004	<u>10,804</u>	<u>10,804</u>

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17 **DEFERRED TAX (Cont'd)**

The following are the deferred tax liabilities recognized during the year:

Deferred Tax Liabilities

	The Group					The Company				
	<u>Capital Allowance in excess of Depreciation</u> \$'000	<u>Interest Receivable</u> \$'000	<u>Unrealised Gains in Investment in Securities</u> \$'000	<u>Retirement Benefit Assets</u> \$'000	<u>Total</u> \$'000	<u>Capital Allowance in excess of Depreciation</u> \$'000	<u>Interest Receivable</u> \$'000	<u>Unrealised Gains in Investment in Securities</u> \$'000	<u>Retirement Benefit Assets</u> \$'000	<u>Total</u> \$'000
At January 1, 2004	(3,029)	(13,937)	(12,123)	(1,016)	(30,105)	(2,237)	(13,732)	(12,123)	(650)	(28,742)
Charged to income for the year	(2,641)	4,707	(400)	(4,313)	(2,647)	(1,109)	4,812	(400)	(3,613)	(310)
Charged to equity - other reserve	-	-	(213)	-	(213)	-	-	(213)	-	(213)
Charged to equity - contingency reserve	-	-	(1,146)	-	(1,146)	-	-	(1,146)	-	(1,146)
At December 31, 2004	<u>(5,670)</u>	<u>(9,230)</u>	<u>(13,882)</u>	<u>(5,329)</u>	<u>(34,111)</u>	<u>(3,346)</u>	<u>(8,920)</u>	<u>(13,882)</u>	<u>(4,263)</u>	<u>(30,411)</u>

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18 ACCOUNTS PAYABLE AND ACCRUALS

	<u>The Group</u>		<u>The Company</u>	
	<u>2004</u> \$'000	<u>2003</u> \$'000	<u>2004</u> \$'000	<u>2003</u> \$'000
Accruals and other payables	16,503	9,099	13,446	6,558
Current portion of finance lease obligation (Note 16)	<u>3,769</u>	<u>760</u>	<u>3,769</u>	<u>760</u>
	<u>20,272</u>	<u>9,859</u>	<u>17,215</u>	<u>7,318</u>

The directors consider that the carrying amount of accounts payable approximates their fair value.

19 SURPLUS FOR THE YEAR BEFORE TAXATION

The following are included in the determination of the surplus for the year before taxation:

	<u>2004</u> \$'000	<u>2003</u> \$'000
Operations - Investment and other income:		
Interest income	41,678	42,821
Foreign exchange gains	890	5,873
Other	<u>18,131</u>	<u>7,389</u>
	<u>60,699</u>	<u>56,083</u>
Compensation Fund investment income:		
Interest income	56,931	58,816
Foreign exchange gains	1,245	8,686
Other	9,009	2
Less: Expenses (Note 19(b))	<u>(6,984)</u>	<u>(10,908)</u>
	<u>60,201</u>	<u>56,596</u>
Expenses:		
Directors' fees	2,449	2,175
Audit fees	970	840
Depreciation of property, plant and equipment	5,103	3,925
Amortisation of intangible assets	1,626	3,447
Staff cost	39,604	37,978

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20	STAFF COSTS	<u>2004</u>	<u>2003</u>
	(a) Average number of persons employed during the year	28	27
		\$'000	\$'000
	(b) Staff costs incurred during the year in respect of these employees:		
	Salaries and other benefits	48,149	33,799
	Statutory contributions	3,210	2,394
	Retirement benefit charges	<u>(11,755)</u>	<u>1,785</u>
		<u>39,604</u>	<u>37,978</u>
21	TAXATION		
	(a) The charge for the year represents:	<u>2004</u>	<u>2003</u>
		\$'000	\$'000
	Current tax	46,530	26,838
	Less: Effect of tax losses utilised	(4,636)	-
	Deferred tax (Note 17)	<u>(6,794)</u>	<u>12,226</u>
		<u>35,100</u>	<u>39,064</u>

Income tax is calculated at 33 1/3% of the estimated assessable surplus for the year.

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21 TAXATION (Cont'd)

(a) (Cont'd)

The charge for the year can be reconciled to the surplus per the income and expenditure statement as follows:

	2004		2003	
	\$'000	%	\$'000	%
Surplus before taxation	<u>144,101</u>		<u>116,377</u>	
- Tax at the domestic income tax rate of 33 1/3% (2003: 33 1/3%)	48,033	33.3	38,792	33.3
- Tax effect of current year's tax loss of the subsidiary	-	-	1,067	0.9
- Tax effect of expenses that are not deductible in determining taxable profit	3,627	2.5	(10,868)	(9.3)
- Tax effect of losses utilized against current year's taxable profit	(4,636)	(3.2)	-	-
- Tax effect on capital allowances	(4,915)	(3.4)	(2,153)	(1.9)
- Under provision	<u>(215)</u>	<u>(0.1)</u>	-	-
	41,894	29.1	26,838	(23.0)
- Net deferred tax adjustment	<u>(6,794)</u>	<u>(4.7)</u>	<u>12,226</u>	<u>(10.5)</u>
Tax charge for the year	<u>35,100</u>	<u>24.4</u>	<u>39,064</u>	<u>(33.5)</u>

(b) Tax losses of the subsidiary amounting to \$32.0 million (subject to agreement with the Commissioner, Taxpayer Audit and Assessment) are available for set-off against future taxable profits of the subsidiary.

22 NET SURPLUS OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Parent company	80,985	79,601
Subsidiary	<u>28,016</u>	<u>(2,288)</u>
	<u>109,001</u>	<u>77,313</u>

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23 FINANCIAL INSTRUMENTS

(a) Fair value

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.

A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument.

Where an active market does not exist, the fair values have been estimated using present value or other estimation techniques based on market conditions existing at balance sheet date.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amount and timing of future cash flows and the discount rate used. The fair values of the group's financial instruments, where determinable, made use of the following methods and assumptions:

- (i) The fair values of cash and bank deposits, accounts receivable and accounts payable approximate their carrying values due to their short-term nature.
- (ii) The fair value of long-term receivable has not been estimated due to its special nature as described in Note 7.
- (iii) The fair values of investments in securities which differed from the carrying values are as follows:

	The Group			
	2004		2003	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Investments in securities				
Compensation Fund	378,839	367,562	331,517	329,670
Other	285,664	360,962	206,054	208,187

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23 FINANCIAL INSTRUMENTS (Cont'd)

(a) Fair value (Cont'd)

	The Company			
	2004		2003	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Investments in securities				
Compensation Fund	378,839	367,562	331,517	329,670
Other	263,494	337,335	198,799	200,932

The fair values have been determined using available market information and appropriate valuation methodologies.

- (iv) The fair value of lease obligation approximates the carrying value, as the interest rate on the loan reflects general market rate.

(b) Interest rate risk

Interest rate risk is the potential impact of changes in market interest rates on the fair value of assets and liabilities on the balance sheet and on the annual interest income and expenses in the income and expenditure account. Interest rate risk mainly arises through interest bearing assets and liabilities.

The interest profile of the financial assets of the Group and the Company at balance sheet date was as follows:

	The Group			TOTAL \$'000
	TERM TO MATURITY			
	Within One Year \$'000	One Year to Five Years \$'000	Over Five Years \$'000	
Investments in securities				
Compensation Fund				
Fixed rate	204,326	54,018	24,460	282,804
Floating rate	23,888	28,658	30,671	83,217
	<u>228,214</u>	<u>82,676</u>	<u>55,131</u>	<u>366,021</u>
Other				
Fixed rate	137,945	67,551	28,137	233,633
Floating rate	4,713	15,318	32,000	52,031
	<u>142,658</u>	<u>82,869</u>	<u>60,137</u>	<u>285,664</u>
Cash and bank deposits	11,122	-	-	11,122
Total interest bearing financial assets (2004)	<u>381,994</u>	<u>165,545</u>	<u>115,268</u>	<u>662,807</u>

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AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

23 FINANCIAL INSTRUMENTS (Cont'd)

(b) Interest rate risk (Cont'd)

	The Group			TOTAL
	TERM TO MATURITY			
	Within One Year \$'000	One Year to Five Years \$'000	Over Five Years \$'000	
Total interest bearing financial assets (2003)	<u>338,975</u>	<u>120,801</u>	<u>68,739</u>	<u>528,515</u>
Average interest yield (2004)	13.5%	13.7%	14.2%	13.6%
Average interest yield (2003)	25.1%	20.0%	32.6%	25.0%

Interest bearing financial liabilities of the Group at balance sheet date, relate substantially to lease financing obligations (Note 16) at an interest rate of 11.3%.

	The Company			TOTAL
	TERM TO MATURITY			
	Within One Year \$'000	One Year to Five Years \$'000	Over Five Years \$'000	
Investments in securities				
Compensation Fund				
Fixed rate	204,326	54,018	24,460	282,804
Floating rate	<u>23,888</u>	<u>28,658</u>	<u>30,671</u>	<u>83,217</u>
	<u>228,214</u>	<u>82,676</u>	<u>55,131</u>	<u>366,021</u>
Other				
Fixed rate	121,939	61,387	28,137	211,463
Floating rate	<u>4,713</u>	<u>15,318</u>	<u>32,000</u>	<u>52,031</u>
	<u>126,652</u>	<u>76,705</u>	<u>60,137</u>	<u>263,494</u>
Cash and bank deposits	<u>9,504</u>	-	-	<u>9,504</u>
Total interest bearing financial assets (2004)	<u>364,370</u>	<u>159,381</u>	<u>115,268</u>	<u>639,019</u>
Total interest bearing financial assets (2003)	<u>329,892</u>	<u>120,801</u>	<u>68,739</u>	<u>519,432</u>
Average interest yield (2004)	13.5%	13.7%	14.2%	13.6%
Average interest yield (2003)	25.2%	20.0%	32.6%	25.0%

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

23 FINANCIAL INSTRUMENTS (Cont'd)

(b) Interest rate risk (Cont'd)

Interest bearing financial liabilities of the Company at balance sheet date, relate substantially to lease financing obligations (Note 16) at an interest rate of 11.3%.

(c) Credit risk

Financial instruments contain an element of risk that the other obligators may be unable to meet the terms of agreements. Direct credit risk represents risk of loss resulting from the obligators' default in relation to assets on the balance sheet. In respect of cash and bank deposits and investments in securities, the group minimizes this risk by seeking to limit its obligators to substantial financial institutions. In respect of accounts receivable the risk is minimised by discontinuing services and also by making adequate provisions for uncollectible amounts.

(d) Currency risk

The group and the company incur foreign currency risks on transactions that are denominated in currencies other than Jamaican dollars.

The following foreign currency balances are included in these financial statements:

	The Group and the Company	
	2004	2003
	US\$'000	US\$'000
Investments in securities	2,000	1,557
Cash and bank deposits	893	72
Long-term liability - lease obligation	(124)	(13)
Net exposure	2,769	1,616

In addition the subsidiary had capital commitments as at the balance sheet date of US\$431,600 (2003: US\$483,000) as detailed in Note 24.

**THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

23 FINANCIAL INSTRUMENTS (Cont'd)

(e) Market risk

Market 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 security or its issuer or factors affecting all securities traded in the market. The Group has no exposure to market risk as there are no traded securities.

(f) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the management of the group maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

(g) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The group manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

24 COMMITMENTS

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Capital commitments contracted for but not provided for in the financial statements US\$431,600 (2003: US\$483,000)	<u>26,444</u>	<u>29,000</u>

These commitments are in respect of the computer software development project of the subsidiary.

25 COMPARATIVE INFORMATION

Where necessary, comparative figures have been reclassified and/or restated to conform to changes in the current year.



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JAMAICA STOCK EXCHANGE YEARLY TRADING SUMMARY (1969 - 2004)

YEAR	YEAR-END MARKET CAPITAL JAS(000)	NO. OF LISTED COMPANIES	VOLUME TRADED (000)	VALUE TRADED JAS(000)	YEAR- END MARKET INDEX	NO. OF TRANS.	NO. BROKERS
1969	146,088	34	7,450	6,501	94.98	5,156	7
1970	137,014	38	5,070	3,907	76.26	3,756	6
1971	143,242	38	8,418	6,493	77.30	3,779	5
1972	157,063	40	12,134	11,465	86.00	6,259	5
1973	203,649	41	9,450	7,811	78.94	4,525	5
1974	129,656	40	19,400	10,660	61.97	2,679	4
1975	126,472	38	6,930	5,335	66.22	2,104	4
1976	106,426	43	5,650	2,827	55.72	1,170	4
1977	89,776	43	2,185	1,293	46.99	459	6
1978	93,494	40	13,818	10,093	49.28	583	6
1979	109,600	39	4,833	2,217	59.28	420	5
1980	124,149	41	7,390	5,101	69.83	502	5
1981	225,761	33	4,198	3,332	152.23	799	5
1982	315,964	32	5,542	10,156	211.16	1,375	5
1983	359,199	32	5,185	9,820	240.38	1,566	5
1984	697,729	32	9,744	26,017	461.10	2,117	5
1985	1,456,590	33	37,640	117,146	941.50	3,049	6
1986	3,085,766	36	59,252	374,617	1,499.87	6,691	8
1987	3,468,661	41	71,877	399,971	1,515.09	11,187	8
1988	4,290,291	44	43,522	136,739	1,439.22	6,446	8
1989	6,228,384	44	95,202	516,456	2,075.85	13,892	8
1990	7,321,285	44	57,960	230,782	2,539.36	8,691	9
1991	22,214,715	44	144,258	1,156,609	7,681.50	24,072	9
1992	76,974,281	48	395,606	4,687,337	25,745.88	49,791	9
1993	41,879,310	48	567,454	8,346,770	13,099.68	55,519	9
1994	58,018,064	50	741,754	5,155,463	16,676.74	43,144	10
1995	50,755,753	51	3,565,607	11,560,485	14,266.99	42,600	10
1996	66,116,257	50	560,528	4,629,395	16,615.99	23,189	8
1997	79,619,594	49	905,387	4,594,108	19,846.66	18,623	8
1998	79,038,726	48	604,545	2,064,243	20,593.33	13,748	8+
1999	104,041,538	45	520,531	2,218,714	21,892.58	9,256	6
2000	160,135,746	45	694,897	3,441,081	28,893.24	21,066	6
2001	222,006,166	43	2,845,199	5,948,358	33,835.59	20,979	10
2002	292,297,900	41	1,604,591	7,636,877	45,396.21	26,999	10
2003	512,884,380	42	4,290,433	24,237,330	67,586.72	35,954	10
2004	879,297,296	41	5,194,558	35,994,853	112,655.51	86,875	11



CORPORATE INFORMATION

REGISTERED OFFICE:	The Jamaica Stock Exchange 40 Harbour Street P.O. Box 1084 Kingston. Telephone: (876) 967-3271-4 922-0806 Fax: (876) 922-6966
BANKERS	National Commercial Bank Cnr. Duke & Barry Streets Kingston.
ATTORNEYS-AT-LAW	Livingston, Alexander & Levy 72 Harbour Street Kingston
AUDITORS	Deloitte & Touche 7 West Avenue Kingston 4.
WEBSITE ADDRESS	www.jamstockex.com
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JAMAICA STOCK EXCHANGE STATEMENT OF CORPORATE GOVERNANCE PRINCIPLES & PRACTICES

PREAMBLE

The Jamaica Stock Exchange recognizes that as a national self-regulatory organization with a mission to ensure and promote a fair and efficient stock market, it must embrace and practise sound corporate governance. These principles and the attendant structures should serve the best interest of all stakeholders and emphasize the highest standards of transparency, oversight and independence.

The intent is to protect the investing public while advancing the interests of owners and members. Confidence in the stock market will be enhanced by the clear demarcation of regulatory and normal operational functions.

These practices are consistent with world best practices and adhere to the relevant legal and regulatory framework. The corporate governance core practices of the JSE are rooted in the acceptance of the following principles:

1. Corporate Governance should establish a clear foundation for Management and Board oversight. The role and responsibilities of Board and Management should therefore be clearly outlined to facilitate accountability.
2. The Board of Directors should be structured and selected to ensure effectiveness, independence and protection of the public's interests through appropriate selection and operating processes.
3. Ethical standards and responsible decision-making should be promoted.
4. Governance should ensure that there is accurate, timely and full financial and governance reporting with strong internal controls and risk management.
5. Material information regarding the company's operations should be disclosed in a timely manner to the public and regulatory entities.
6. There should be regular reviews of Board and Management performance to enhance effectiveness.
7. Remuneration should be fair to attract and retain competent skills, and reward consistent with performance objectives.
8. The interests of stakeholders should be carefully balanced, protected and promoted.

ISSUES	DESCRIPTION/PRINCIPLE
Board Issues	
Accountability to shareholders/stakeholders	The JSE is a private, soon to be public, company with public responsibility. It must balance the interest of all stakeholders to foster a fair, efficient and transparent market.
Mission and Responsibility	The Board members have the responsibility to attend meetings and familiarize themselves with, and make decisions on issues within their purview.
Elections	The provisions for elections of members are set out in the Memorandum & Articles of the JSE and stipulate election of members on an annual basis. Interest groups identified by the Board will propose independent members to the Nominating Committee. Where an interest group fails to make a nomination, the Nominating Committee will propose directors for election.
Orientation and Training	Training is made available to directors upon appointment to the Board. The Exchange will organize orientation and training for any director within three (3) months of appointment to the Board. The Board will pursue a programme of continuous training and development, with emphasis placed on members chairing committees.
Access to Information	The Board considers the provision of good quality, timely and accurate information as a significant priority in company procedures. Management has a responsibility to provide the Board with any information that will allow members to properly carry out its responsibilities.
Disclosure of Directors' Biographical Information	Sufficient biographical data with the names of all directors, nominated or elected, will be presented to shareholders and directors. This allows for the proper selection of members to specific committees.
Composition	Board members will be drawn from different interest groups and from member-dealers. Representation should reflect the diversity of stakeholders and the needs of the Company. The Board shall be comprised of member dealers, an equal number of independent directors and an independent chairman.
Multiple Board Seats	Members must declare appointments to other companies. They must, at the beginning of the year, and as many times as their positions change, give a written declaration to the Board of the Exchange with pertinent information about the other Boards on which they serve.
Chairman & CEO	Any decision to combine these two positions must be justified.

JAMAICA STOCK EXCHANGE STATEMENT OF CORPORATE GOVERNANCE PRINCIPLES & PRACTICES

Independence	No director qualifies as an independent director unless the Board determines that the director has no material relationship that could interfere with the independent judgment of the member.
Committees	<p>Composition There are both mandatory and non-compulsory committees of the Board. The mandatory committees of the Board are comprised of the Conduct Review Committee, the Audit Committee and the Compensation Committee. These are referred to in the JSE's Rules.</p> <p>Each Committee has a written charter outlining its purpose and responsibilities and reporting format. Committees must meet at least twice annually.</p> <p>Every non-broker member of the Board must Chair at least one Committee. In the case of the Listing Committee, to avoid conflict of interest the Chairman must be a non-broker representative.</p> <p>Review Process The Board of the JSE conducts regular reviews of the performance of the Committees. Chairmen of Committees are required to develop and present their key performance indicators.</p>
Audit Committee	The Audit Committee assists the Board with oversight responsibilities in regards to the integrity of the company's financial statements. It also serves as the communication link between the Board, the management team and the auditors. The Audit Committee ensures that the Company complies with legal and regulatory requirements.
Market Oversight Committee	The Market Oversight Committee is responsible for processing and recording applications of Member Dealers for access of Member Dealers, attorneys/traders, to conduct business on the floor of the Exchange and their use of these facilities.
Conduct Review Committee	The Conduct Review Committee reviews Member Dealers' conduct of business and adherence to Business Rules, Contractual Obligations and the Securities Act. The Conduct Review Committee is responsible to the Board of Directors for the conduct, procedures and holding of disciplinary hearings and reviews and to investigate complaints by investors against Member Dealers.
Governance Committee	The Corporate Governance Committee is responsible to develop, recommend and review Corporate Governance Principles, applicable to the Board, Management and listed companies. In addition the Committee has the responsibility to oversee the evaluation of the Board's other committees and make recommendations in respect to the structure of and effectiveness of the Committees.
Nominating Committee	The Nominating Committee is comprised of non-executive directors and is responsible for the recommendation of suitable candidates to fill vacancies on the Board.
Compensation Committee	The Compensation Committee of the JSE is made up exclusively of non-executive directors who make recommendations on the company's framework of executive remuneration. The Committee reviews and approves corporate goals in relation to the CEO's compensation, evaluates the CEO's performance in light of the company's goals and objectives and makes recommendations to the Board with respect to executive and non-executive compensation.

JAMAICA STOCK EXCHANGE STATEMENT OF CORPORATE GOVERNANCE PRINCIPLES & PRACTICES

Listing and Standards Committee	The Listing and Standards Committee ensures the quality and integrity of a listing on the JSE. It is responsible to process applications and make recommendations regarding approval of companies wishing to list on the JSE and review and make recommendations of standards to be observed for companies to remain listed.
Other Committees	These are formed as the directors see fit.
Board Meetings	<p>There are formal scheduled meetings of the Board at which matters are specifically reserved for discussions. Matters must be addressed within a reasonable time in order to prevent an overrun of pending items.</p> <p>Procedure at Board Meetings In the interest of promoting and ensuring transparency all directors must:</p> <p>(a) Excuse himself/ herself from discussions in, and in making decisions on any matter in which he/she has a personal or business interest or companies on whose Board he/she sits or is connected. Further, members shall be bound by similar standards as outlined in Appendix 1- (Part K) of the JSE's Rules which addresses 'Acting in Concert'.</p>
General Meetings	General Meetings of shareholders are held each year. Communication with shareholders on decisions concerning material, fundamental corporate changes are made on a timely basis.
Performance	<p>Evaluation of Board Members The Board recognizes the importance of each director working to fulfill the mandate of the company. To this end, a process of self-evaluation is in effect based on pre-determined criteria. This evaluation is subject to the review of the Corporate Governance Committee.</p>
Term Limits	<p>Board Members are either nominated by their brokerage firm or relevant interest groups. The mandate of independent members must be appropriately renewed.</p> <p>Committees Chairman/Deputy Chairman The Chairman and Deputy Chairman of the Board and Chairmen of Committees have recommended term limits as follows:</p> <p>(a) The Chairman can serve for five (5) consecutive terms; (b) The Deputy Chairman can serve for three (3) consecutive terms; (c) The Chairmen of Committees can serve for three consecutive terms</p> <p>Committee Members Members can sit for a maximum of three consecutive years. These members are not eligible to be re-elected in the year subsequent to the three-year consecutive stint. Past Chairmen should automatically sit on the Executive Committee for the year after demitting office as Chairman.</p>
Age Limits	The JSE has no age limit for members sitting on the Board.
Transparency	In order to promote transparency Broker Members are asked to publish their companies' annual accounting results. Provisions are made to codify and publish procedures to address and/or eliminate conflict of interest involving Board Members.
Accounting Standards	The Board is governed by the standards as communicated from the Institute of Chartered Accountants of Jamaica.
Ethics	The Board intends to codify the JSE's current ethics and confidentiality requirements for Directors and Management and to post this information on the JSE's website. Any waiver of ethics for Directors or Executive Officers is to be declared.

April 13, 2005

