



JAMAICA
STOCK
EXCHANGE

*“Providing A Fair, Efficient and
Transparent Stock Market”*



ANNUAL REPORT
2005



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Transparent Stock Market”*

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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 Jamaica stock market.

NOTICE OF 29th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Ninth (29th) Annual General Meeting of the Jamaica Stock Exchange will be held at the Jamaica Stock Exchange, 40 Harbour Street, Kingston on **Thursday June 22, 2006**, 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 2006/7:

* Mr. Christopher Berry	-	Retiring
* Mr. Hugh Croskery	-	Retiring
* Mrs. Rita Humphries-Lewin	-	Retiring
* Mr. Roy L. Johnson	-	Retiring
* Mr. Curtis Martin	-	Retiring
* Mr. Ed McKie	-	Retiring
* Mr. Donovan Perkins	-	Retiring
* Mr. Garfield Sinclair	-	Retiring
* Mr. Don Wehby	-	Retiring
* Mr. Christopher Williams	-	Retiring
* Mr. Leo Williams	-	Retiring
3. To elect Independent Directors who, for the year 2006/7 are 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:

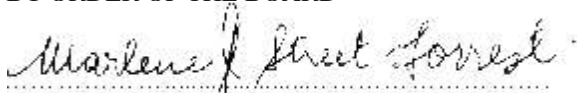
"That the Directors be and are hereby authorized to fix the remuneration of the Auditors at a figure to be agreed with them."
5. To receive, and if approved, adopt the Audited Financial Statements for the year ended December 31, 2005, together with the Directors' and Auditors' Reports. To consider and (if thought fit) pass the following Resolution:

"That the Audited Financial Statements for the year ended December 31, 2005 and the Reports of the Directors and Auditors be adopted."
6. 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 authorized to fix their fees for the fiscal period 2006/2007."
7. To transact any other ordinary business of the company.

DATED THIS 31st DAY OF MAY 2006

BY ORDER OF THE BOARD



MARLENE J. STREET-FORREST
SECRETARY

Note(i) Any corporation which is a member of the Company may authorize such person as it thinks fit to act as its representative.

DIRECTORS' REPORT

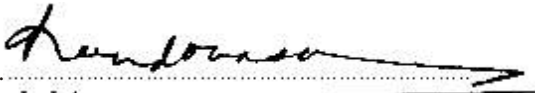
The Directors submit herewith the Statement of Consolidated Revenue, Expenses, Profits, Assets and Liabilities of the Jamaica Stock Exchange and its wholly owned subsidiary, the Jamaica Central Securities Depository for the year ended December 31, 2005.

Operating Revenues for the year were \$233.5M compared to \$158.7M for 2004, an increase of 47%. Investment and other income were \$80.6M compared to \$60.7 M, an increase of 33% over 2004.

Total expenses for the year increased by 33% to \$180.6M over the previous year's \$135.5M. The net profit before taxes was \$133.5m compared to \$83.9M, a 37% increase.

Total assets of the Company and its subsidiary as at December 31, 2005 were \$969.5M compared to \$819.9M for 2004. These figures include Compensation Fund Assets of \$404.3M and \$378.8M for 2005 and 2004 respectively. Shareholders equity increased from \$760.1M to \$869M, a 14% increase.

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



Roy L. Johnson

Executive Chairman

MEMBERS OF THE JSE's BOARD OF DIRECTORS



Mr. Roy L. Johnson
Executive Chairman



Mr. Curtis Martin
Deputy Chairman



Mr. Hugh Croskery



Mrs. Rita Humphries-Lewin

MEMBERS OF THE JSE's BOARD OF DIRECTORS



Mr. Ed McKie



Mr. Donovan Perkins



Mr. Don Wehby



Mr. Christopher Williams

MEMBERS OF THE JSE'S BOARD OF DIRECTORS



Mr. Leo Williams



Mr. Christopher Berry



Mr. Garfield Sinclair



Mrs. Marlene Street-Forrest
Secretary/General Manager

INDEPENDENT MEMBERS OF THE JSE's BOARD OF DIRECTORS



Ms. Dian Black



Mr. Garth Kiddoe



Ms. Hilary Phillips, Q.C.



Mrs. Faith Stewart

* Mr. Collin Steele
(Photograph not available)

EXECUTIVE CHAIRMAN'S REPORT



FINANCIAL PERFORMANCE

The year ended December 31, 2005 was a challenging year for the JSE. After enjoying six years of continued growth, the index peaked at 120,385.49 in April, but with moderate investor sentiment, declined to 104,510.38 by year end. However, despite this background, operating results were satisfactory.

The efforts by the Company and its subsidiary to diversify revenue streams have begun to bear fruit. This is reflected in the consolidated statements. The Company's Operating Revenues for 2005 were \$146.2M exceeding the prior year's \$123.0M by 19%. Surplus on operations improved by 10.5% from \$63.0M in 2004 to \$69.6M in 2005 to yield net surplus (after tax) of \$71.7M compared to \$81.0M in 2004. Investment and other income showed an increase from \$57.6M in 2004 to \$74.9M in 2005.

CORPORATE GOVERNANCE AND RULE CHANGES

Consistent with its stated position to improve its own corporate governance practices and with the adoption of its Statement of Corporate Governance Principles and Practices, the Jamaica Stock Exchange (JSE) now has independent Board members nominated by the Bank of Jamaica, the Ministry of Finance and Planning, the Jamaica Bar Association, the Institute of Chartered Accountants of Jamaica and the Private Sector Organization of Jamaica. We are confident that the composition of the JSE's Board is vital for the protection of the interests of all stakeholders and enables the Exchange to fulfill its self regulatory role with significant independence.

The JSE, in an effort to enhance governance among its listed companies has had discussions and implemented a Rule change requiring that listed companies operate with a Board-appointed Audit Committee. The reaction has been very positive, as a number of companies have already had this in their governance structure.

With the coming into effect of the New Companies Act, which permitted companies to repurchase their shares, the JSE has instituted Rule changes to provide for transparency and protection of minority interests in the process. Further, companies are now required to maintain the initial listing requirement of a minimum of 100 shareholders, owning 20% of their issued shares to remain listed.

REGIONAL STOCK MARKET

Significant strides were made during the year to make a regional market a reality, and we remain strongly optimistic that this will shortly be achieved. We believe the strong expressions of support evident in discussions at regional fora is propelling regional exchanges to overcome the perceived challenges.

(Con't overleaf)

Mr. Roy L. Johnson
Executive Chairman

EXECUTIVE CHAIRMAN'S REPORT (Cont'd)

In pursuit of its strategy to attract both domestic and international investors to the market, the JSE along with the Trinidad and Tobago Stock Exchange staged a Road Show in New York to signal to fund managers, with an interest in energizing the markets, that the Caribbean was a worthwhile investment destination. This has given further impetus to the drive to develop a regional market as investors indicated greater interest in a multi- market environment

INCREASED LISTINGS

The market usually benefits from an increase in good quality companies coming to the Board of the Exchange. The Government, while giving verbal support to the increase in listings on the Exchange, has not pursued its divestment programme through the Exchange. We believe the market is able to absorb more offerings and the JSE continues to vigorously pursue the listing of new companies and new products.

DEMUTUALIZATION

The demutualization exercise is at a pivotal point and Directors are assessing the relevant market conditions with a view to final implementation. Considerable attention is being devoted to ensure that the Exchange maintains its independent regulatory position with increased effectiveness.

THE JAMAICA CENTRAL SECURITIES DEPOSITORY

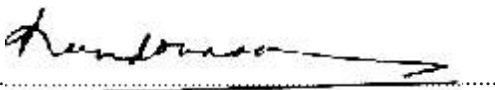
The results achieved by the Jamaica Central Securities Depository (JCSD) in 2005 showed a continuation of a profitable trend and reflected the attempts of the Company to broaden its revenue streams. Operating Income increased from \$37.7M in 2004 to \$87.3M in 2005 and the JCSD contributed net surplus of \$42.5M in 2005 compared to \$28M in 2004.

FIXED INCOME PROJECT

The implementation of a Fixed Income Depository was recognized to be of critical importance to the financial sector, and the need to ensure that user requirements and system design are consistent has slowed the process. We are heartened by the participation of stakeholders as the project draws near to completion.

INITIATIVES

The JSE has begun a significant number of initiatives aimed at developing the capital market while enhancing the confidence of stakeholders. Some projects such as the regional market, demutualization, the Fixed Income Project are expected to be completed shortly. Other ongoing efforts such as a strong public education programme, training courses, the Market Research Analyst Competition, Best Practices Awards and revenue generating activities including the Registrar Department and sales of data, will continue to strengthen the organization financially and contribute to the achievement of its objectives.



Roy L. Johnson
Executive Chairman

May 26, 2006

GENERAL MANAGER’S REPORT



The journey towards the transformation of the Jamaica Stock Exchange (JSE) continued in 2005. The process of converting the JSE from a private *“not-for-profit”* company to a public limited liability company was successfully completed. We are pleased that our mission as set out in our five-year strategic plan 2000-2005 was accomplished. The programmes which spanned the activities of improved technological access, market surveillance and compliance to heightening the awareness of investors to the market were creatively planned and successfully executed by the Jamaica Stock Exchange's team who gave of their best.

This infrastructural development was enriched by the active roles played by our brokers, listed companies and the general public who, understanding the need for change, embraced and supported us.

MACRO-ECONOMIC PERFORMANCE

The year was not without challenges. While investors continued to demonstrate confidence in the market, the pace of growth measured by the performance of the indices, number of transactions and the volume and value of investment showed a slowing in buoyancy when compared to the previous year. The macro-economics indicators played a pivotal role in the assessment of the performance of the JSE. Interest rates and inflation was reduced in 2005 and the foreign exchange rate was fairly stable moving from US\$1 to J\$61.63 at the beginning of 2005 to US\$1 to J\$64.58 at the close of 2005. However, Hurricanes Dennis and Emily and the increases in oil price took its toll on the economy and affected the performance of some of the companies listed on the Exchange. As a result market participation and optimism were negatively impacted.

MARKET ACTIVITIES

During the year, many companies recorded positive performance while others suffered severely. This resulted in a decline in the three indices. The JSE closed the year at 104,510.38 points declining by 8,145.14 points or 7.23% below 2004's closing index. The All Jamaica Composite Index declined by 11,276.76 points or 9.7% to close the year at 104,941.62 points and the JSE Select declined by 317.01 points or 9.98% to close the year at 2,859.62 points. Market Capitalization as at December 31, 2005 was \$839.85 billion compared to \$879.29 billion, a decrease of \$39 billion.

Over the 252 trading days, 75,001 transactions crossed the floor of the Exchange. This represented a decline in the number of transactions when compared to the previous year's transactions of 86,875. Total volume of ordinary transactions amounted to 1.9 billion units valued at over \$26.0 billion, compared to 2004 where the total volume and value traded were 3.2 billion and \$29 billion respectively.

Cont'd overleaf

Mrs. Marlene Street-Forrest
General Manager,
Jamaica Stock Exchange

GENERAL MANAGER'S REPORT (Cont'd)

Top Ten Winners/Losers (2005)

WINNERS	%	LOSERS	%
Seprod Limited	31.69	Dyoll Group Limited	(88.86)
Trinidad Cement Limited	31.25	Salada Foods Limited	(49.95)
Desnoes & Geddes Limited	27.50	Hardware & Lumber	(39.70)
Kingston Wharves	22.45	Berger Paints (Ja.) Limited	(33.33)
Courts (Ja.) Limited	15.38	Capital & Credit Merchant Bank	(29.69)
Lascelles, deMercado	12.84	Pan Caribbean Financial Services	(28.74)
Carreras Group Limited	12.50	Caribbean Cement Limited	(26.36)
Ciboney Group Limited	12.50	GraceKennedy Limited	(25.89)
Radio Jamaica Limited	7.55	First Caribbean Intl Bank (Ja.)	(18.14)
Dehring, Bunting & Golding	4.65	Jamaica Producers' Group	(17.83)

CORPORATE ACTIONS LISTED COMPANIES

The JSE's effort to attract new companies was successful as several companies indicated their intention to list. Mayberry Investments was listed in April. Investors responded positively which resulted in an over-subscription. The JSE began 2005 with 40 listed companies and ended with 41 companies. Thirty-Four (34) companies paid dividends in 2005.

Three companies declared Rights Issues in 2005 with Capital & Credit Merchant Bank being the first company to have its Rights Issue traded on the JSE.

JSE CORPORATE ACTIVITIES TOWARDS MARKET DEVELOPMENT

The Exchange continued its thrust towards market development by concentrating on internal and external improvements. Internally, the JSE focused on ongoing training of its employees to meet the challenges of a dynamic market. Internal network infrastructural improvement and systems upgrade were effected.

We delivered on our promise to provide the market with more efficient and effective methods of communication. To this end our new website geared at providing more timely information to our internet based clients was launched in July. The site also provides the vehicle through which listed companies and other financial information can easily be uploaded.

Several initiatives were taken to continue market education and training. The JSE's Corporate Outreach Programme was started. The first ever training course in specific financial product Mutual Funds was also offered to the market.

The regulatory arm of the Exchange continued to play an active role in ensuring market transparency and compliance by both the brokers and listed compliance. In order to stimulate greater interest by listed companies to best practices and a greater level of compliance the Best Practices Awards was launched in December. The Inaugural Awards recognized listed companies and brokers who upheld the highest standards in 2004.

REGIONAL AND INTERNATIONAL FOCUS

The Exchange recognizes the impact of the world activities on our market despite its size and believes that there are advantages to be gained in reaching out to the international market place. In June 2005 the Prime Minister and the JSE visited the New York Stock Exchange and signalled to the market that the JSE was ready for business.

Again in September 2005 the Exchange entered into agreement with Bloomberg where our market information is relayed on a daily basis to the world, placing the JSE squarely in the eyes of market participants worldwide.

Regionally we continue to make progress towards the integration of our markets.

JAMAICA CENTRAL SECURITIES DEPOSITORY (JCSD)

It was exciting times for the JCSD as its activities grew in 2005 with the increase in the number of investors with accounts at the JCSD. The Depository also acquired its own home which was constructed in the latter part of the year. The number of accounts moved from 60,489 at the start of the year to 79,383 at the end of 2005, an increase of 31.2%. The message that shareholders could pledge their shares resonated well with many investors resulting in a significant increase in the use of the JCSD's pledge facility.

Cont'd.

GENERAL MANAGER'S REPORT (Cont'd)

The Depository expanded the services offered to the market to include the Registrar Services. Mayberry Investment Ltd. was the first client of the Registrar Division. The JCSD continues to direct the development of the Fixed Income Depository. Below are the highlights of activities for 2005 and comparative data for 2004.

MONTHLY STATISTICS REPORT 31-Dec-05

Description	Y-TD 2005												TOTAL	** Billion
	Y-T-D	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER		
Number of Deposits	8,855	1,505	319	646	714	702	600	475	499	570	350	442	277	6,099
Quantity of Units Deposited	5,380.4	0.4738872	0.3503995	0.1001675	2.0263	0.9518098	0.0093656	0.0864779	0.2122121	0.020632034	0.1580304	0.1658152	0.0029344	4.5580
Value of Units Deposited **	32.6954	13.778598	1.6320894	2.0614547	23.902	11.376389	0.2332378	8.4470134	4.1633962	0.521248688	0.6379612	2.9264496	0.03075	69.711
Number of Withdrawals	138	6	3	12	6	17	15	13	15	2	6	15	4	114
Quantity of Units Withdrawn	2.2693	0.0016082	0.1062388	1.9244806	0.2653431	0.0449013	0.0071779	0.003767	0.0112871	0.0002986	0.0003974	0.1378915	0.0006706	2.50406
Value of Withdrawals **	13.7800	0.0423408	0.6586806	8.497261	0.1138363	0.148309	0.2786361	0.0664361	0.2007858	0.017268305	0.0163649	3.9167867	0.0137512	13.97046
Number of Trades Settled	86,053	13,620	17,326	13,856	15,584	18,380	12,302	7,500	9,508	8,220	6,094	7,518	7,588	137,496
Value of Trades Settled **	28.5620	10.5602	3.6823	7.8033	10.2438	5.4260	3.5424	1.0073	1.6616	1.195535941	0.1925	0.7171	2.64	48.66795

FOOTNOTES:

- ** Figures reflected as a percentage of one Billion
Number of Deposits and Withdrawals include transfers representing Inter CSD Movements and are captured as one transfer to or from the JCSD by the Registrar
1. Figure adjusted in April 2005 to include transaction for the ML upload in 7,910 account to equator on April 21, 2005.
 2. Figure includes total units relating to the ML upload to Equator April 21, 2005 of 1,360,247,851 units.
 3. Rights Issue for CCMB in October resulted in 49 trades with a value of \$336 million.

INTERNAL AUDIT

The Jamaica Stock Exchange's Internal Audit Unit was established and has as its mandate the development of programmes and the audit of broker-members as well as of the activities of the JSE and its subsidiary, the JCSD. This provides another level of supervision by the JSE of broker-dealers' activities.

PROFITABILITY

The JSE and the JCSD Consolidated Net Operating Income of \$114 million shows a marginal increase of 4.6% over the previous year. The JCSD reflected significant growth, recording a profit of \$42.5 million in 2005 which represents an increase of \$14.0 million or 50% over the previous year.

CORPORATE AFFAIRS

As part of its effort towards contributing to the country's development, the JSE continues to provide assistance to civic organizations and tertiary institutions in the form of scholarships, grants and donations.

FORECAST

It is expected that the improvements in our infrastructure, product offering and market education will encourage the expansion of the market and provide the foundation for the participation of more informed investors and companies. Our involvement at both the domestic, regional and international level will form the basis for the shortening of the time table towards an integrated market place.

Based on the foundation that is being built, depending on market conditions our continued interface with potential listed companies we expect incremental listings. This is however heavily dependent on the macro economic conditions.

I wish to express my appreciation for the tremendous assistance that the Exchange has received from the Board, Civil Society and the media in shaping and assisting us to realize our objectives. Without the commitment of your time and energy and the willingness to share in our vision to develop a world class equities market, we would not have been in a position to state that despite a challenging year, many of our objectives have been met. To the staff of both companies (JSE and JCSD), the level of enthusiasm and selfless dedication have pushed the Exchange to higher levels.



Mariene J. Street-Forest
May 29, 2006

THE MANAGEMENT TEAM



Mrs. Marlene Street-Forrest
General Manager,
Jamaica Stock Exchange
and the Jamaica Central
Securities Depository

Mrs. Yvonne Grinam-Nicholson,
Assistant General Manager,
Marketing and
Communications



Mr. Robin Levy
Deputy General Manager,
Jamaica Stock Exchange



Mr. Wentworth Graham
Assistant General Manager,
Market Operations & Trading



Ms. Suzette McNaught
Manager, Information
Technology & Systems





JSE CORPORATE HIGHLIGHTS 2005

JSE CORPORATE HIGHLIGHTS 2005

NEW IPO



LISTED AT LAST: Mrs. Doris Berry (widow of the founder of Mayberry, Maurice Berry) second left, is assisted by Mark Berry, Deputy Chairman of Mayberry Investments Ltd. (second right) to place the strip inserting the name of the company on the Jamaica Stock Exchange's Board. The occasion was the official listing of Mayberry Investments Ltd. on Thursday April 21, 2005. Others looking on (l-r) are: Christopher Berry, CEO/Chairman and Roy Johnson, Executive Chairman of the JSE.

HONOURING DIRECTORS



JSE HONOURS INDEPENDENT DIRECTORS: Out-going Board members of the Jamaica Stock Exchange were on June 23, presented with awards for their several decades of contribution to the development of the Jamaica Stock Exchange through the Council. From left are: Mrs. Faith Stewart, the Representative of the Bank of Jamaica and current Board member who made the presentations; outgoing member, Mr. Alvaro Casserly who served the Board for fourteen years; outgoing board member, Mr. Johnathan Brown, who was for ten years the nominee of the Ministry of Finance & Planning; Ms. Caryl Fenton who was for fifteen years the representative of the Institute of Chartered Accountants of Jamaica and who was replaced by Mr. Garth Kiddoe, Dean of the Faculty of Business Management, University of Technology. Current Board member, Mr. Ed McKie (right) made the presentation to Ms. Fenton. An award was also made to Hon. John Issa, who was a Board member for 14 years.

INFRASTRUCTURAL DEVELOPMENT



JAMAICA CENTRAL SECURITIES DEPOSITORY UNDER CONSTRUCTION: The Jamaica Stock Exchange's subsidiary, the Jamaica Central Securities Depository, will be housed in the new building seen here under construction in 2005.

WEBSITE DEVELOPMENT



PLEASED: Is the look on everyone's face, on viewing JSE's new website at the launch of the new website at the Jamaica Pegasus Hotel on July 19, 2005. Through this fully automated extranet, listed companies and stockbroker members will be able to manage and maintain relevant information which will be made available to the public. This storehouse of information includes: contacts, company summary, products and services for Exchange members and news. The new website also enables account holders of the Jamaica Central Securities Depository (JCSD) to access their statements on line. From l-r: Kurt Anderson; Herman Aithias; Roy Johnson and Marlene Street-Forrest. The new website's interface allows for financial reports to be posted electronically through a Content Management System.



An interested shareholder, Mr. Ralph Chen (left) makes his comments about the new website. Compere, Mr. Michael Anthony Cuffe listens. At right is a cross section of the audience.

MARKET RESEARCH



JSE's ANALYST OF THE YEAR:
Steven Gooden poses with a replica of his cheque for \$100,000 from Capital & Credit Merchant Bank's Michelle Wilson-Reynolds, Vice President of Marketing & Corporate Affairs. Capital & Credit Merchant sponsored the main prizes for the annual competition.

WINNERS ALL: Former and present participants of the JSE's Market Research Competition share notes with a laugh. From (l-r) are: Steven Gooden (2004 Analyst of the Year); DB&G's Justin Nam, (2003 Analyst of the Year); Kevin Donaldson and Deon McLennon (2004 Runner up).



JSE CORPORATE HIGHLIGHTS 2005



THANKS TO CAPITAL & CREDIT: Mr. Ryland Campbell Chairman of Capital & Credit Financial Group, guest presenter at the awards luncheon, greets Mr. Johnson for a quick thank you. Mr. Curtis Martin, President of CCMB looks on.

INTERNATIONAL EXPOSURE



JSE GOES GLOBAL: The Jamaica Stock Exchange was represented at the New York Stock Exchange on June 3, 2005 when Prime Minister the Rt. Hon. P.J. Patterson (centre) rang the Opening Bell there. This was part of arrangements to promote the Jamaica Stock Exchange as being "open for business". The Prime Minister was in New York to receive the Caribbean Tourism Organization's Distinguished Service award at the Waldorf Astoria. In photo from (l-r) are: Mark Berry (COO of Mayberry Investments Ltd.); Noreen Culhane, NYSE, Vice President Global Corporate Client Group; Roy Johnson, JSE's Executive Chairman; Harold E. Doley III, Principal, Lugano Group; Catherine Kinney, NYSE President & Co-COO; Leo Williams, Director, JMMB Securities Ltd.; Hon. Prof. Gordon Shirley, Jamaica's Ambassador to the U.S.; Hon. Aloun Assamba, Minister of Industry & Tourism; Christopher Berry, Chairman of Mayberry Investments Ltd.; Mrs. Marlene Street-Forrest, General Manager of the JSE and Amir Mireskandari, Principal, Lugano Gp.

This is the second time in the NYSE's over 200-year history that a Caribbean leader has rung the opening bell. Grenada's Prime Minister, Keith Mitchell was the first Caribbean leader to do so in 2004. It is estimated that 130-million people worldwide view the opening and closing bell ceremonies daily.

ENCOURAGING BEST PRACTICES

JSE BEST PRACTICES: In December 2005 the JSE handed out its first Best Practices Awards. The objectives are:

1. To provide an avenue to recognize our stakeholders, i.e. our stockbrokers and our listed companies, in the securities industry who uphold best practices standards;
2. To enhance the relationship between the JSE and its stakeholders;
3. To create an awareness of the standards for best practices in the areas to be adjudged.

The Awards are to be presented annually at a gala function which is to be a calendar event. Below are some of the awards:



Best Overall: Karen Chin Quee Akin and David Noel, Corporate Secretaries of GraceKennedy & Co. Ltd. and Bank of Nova Scotia (Ja.) Ltd. share the award for Overall Winner in the Best Practices Awards.



David Noel, Corporate Secretary of Bank of Nova Scotia (Ja.) received his company's award for Overall Category winner (Annual Reports) from Yvonne Grimam-Nicholson, Assistant General Manager, Marketing & Communications, JSE. BNS also copped the award for overall winner for Best Practices Corporate Disclosure and Investor Relations.

JSE CORPORATE HIGHLIGHTS 2005

BEST PRACTICES



Mr. Robert Levy, President and CEO of Jamaica Broilers receives the overall award for Website (Listed Companies) from JSE Board member, Ms. Dian Black.



Mr. Garfield Sinclair, Chief Operating Officer, Dehring, Bunting & Golding (right) accepts the award from Prof. Ying on his company's behalf for emerging the Best Performing Company for 2004. DB&G was also second place winner in the category for Investor Relations as well as special commendations in the category for Websites.



MUTUAL FUNDS WORKSHOP: Seventy five employees of financial organizations across the island participated in three Mutual Funds Workshops organised by the Jamaica Stock Exchange and held at the Technology Innovation Centre at the University of Technology (UTECH), from March 30 to April 13, 2005. Photo at left shows workshop participants at work.



Justin Nam of DB&G Ltd. receives his certificate of participation from Dr. Howard Haughton, Facilitator.

FINANCIAL & STATISTICAL HIGHLIGHTS

	2005	2004	2003	2002	2001	2000	1999	1998
Revenue (\$)	314,066,000	219,395,000	160,997,000	76,612,000	65,116,000	47,325,000	51,132,000	45,533,824
Expenses (\$)	180,575,000	135,495,000	101,216,000	70,586,000	67,496,000	52,898,000	52,528,000	51,194,917
Income Before Taxes (\$)	133,491,000	83,900,000	59,781,000	6,026,000	-2,380,000	-9,573,000	-1,396,000	-5,661,093
Net Income After Tax	114,213,000	109,001,000	77,313,000	25,753,000	21,996,000	17,023,000	5,351,000	21,820,000
Compensation Fund (\$)	404,253,000	378,839,000	331,517,000	280,604,000	253,953,000	218,167,000	190,616,000	181,143,603
Members' Equity	484,043,000	403,770,000	287,029,000	244,717,000	241,474,000	191,156,000	200,153,000	202,323,088
Reported Share Volume (Millions)* (Units)	2,498.03	5,194.56	4,290.43	1,604.59	2,845.20	694.90	520.531	604.54
Daily Average Share Volume (Millions) (Units)	9.91	20.45	17.09	6.39	11.43	3.49	2.602	1.83
Reported Dollar Value (Millions)* (\$)	40,747	35,994.85	24,237.33	7,636.88	5,948.36	3,441.08	2,218.71	2,064.24
Daily Average Dollar Value (Millions) (\$)	161.69	141.71	96.53	30.43	23.89	17.29	11.093	7.33
JSE Market Index as at December 31	104,510	112,655.51	67,586.72	45,396.21	33,835.59	28,893.24	21,892.58	20,593.32
Member Organizations	11	11	10	10	10	6	6	8
New Listed Companies/Securities	1	Nil	2	Nil	1	5	1	Nil
Total Listed Companies*	41	40	41	40	42	44	45	47
Total Shares Listed (Billions)	46.19	42.28	41.88	35.77	33.19	29.49	23.04	19.32
Market Capitalization as at December 31: (Billions) (\$)	839.85	879.30	512.88	292.3	222.0	160.14	104.04	79.04

* Note: Securities issued by TOJ are now subsumed under Cable & Wireless in our report. Previous years have been adjusted.



AUDITORS' REPORT & STATEMENTS

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

YEAR ENDED DECEMBER 31, 2005

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Statement I

AUDITORS' REPORT

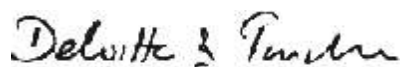
To the members of

THE JAMAICA STOCK EXCHANGE LIMITED

We have audited the accompanying consolidated balance sheet of The Jamaica Stock Exchange Limited and its subsidiary (the Group) as of December 31, 2005 and the related consolidated income and expenditure account, consolidated statement of changes in equity and consolidated cash flows for the year then ended together with the balance sheet as at December 31, 2005 of the company 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, the financial statements, present fairly in all material respects the state of the group's and the company's affairs as at December 31, 2005 and of the results of operations, changes in equity and cash flows of the group 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,
March 15, 2006

A member firm of
Deloitte Touche Tohmatsu

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

Associate: Gihan C. deMel

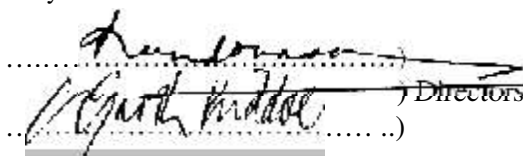
Consultant: T. Sydney Fernando

THE JAMAICA STOCK EXCHANGE LIMITED
AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2005

	<u>Notes</u>	<u>2005</u> \$'000	<u>2004</u> \$'000
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	5	75,695	53,682
Intangible assets	6	86,843	34,270
Investments in securities			
Compensation Fund	8(a)	179,717	187,519
Other	8(b)	198,744	183,700
Long-term receivable	9	3,648	864
Retirement benefit asset	10	<u>26,451</u>	<u>15,986</u>
		<u>571,098</u>	<u>476,021</u>
Current assets			
Accounts receivable and prepayments	11	54,662	35,519
Investments in securities			
Compensation Fund	8(a)	224,536	191,320
Other	8(b)	95,868	101,964
Cash and bank deposits	12	<u>23,356</u>	<u>15,076</u>
		<u>398,422</u>	<u>343,879</u>
Total assets		<u>969,520</u>	<u>819,900</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Share capital	13	550	2
Reserves			
Share premium		8,040	8,040
Capital reserve	14	104,900	104,900
Capital redemption reserve fund		100	100
Fair value reserve	15	(3,348)	1,682
Contingency reserve	16	384,980	356,349
Revenue reserve			
Income and expenditure account	17	<u>373,801</u>	<u>289,046</u>
		<u>869,023</u>	<u>760,119</u>
Non-current liabilities			
Long-term liabilities	18	10,112	3,847
Deferred tax liabilities	19	<u>42,207</u>	<u>23,307</u>
		<u>52,319</u>	<u>27,154</u>
Current liabilities			
Accounts payable and accruals	20	38,352	20,272
Income tax payable		<u>9,826</u>	<u>12,355</u>
		<u>48,178</u>	<u>32,627</u>
Total equity and liabilities		<u>969,520</u>	<u>819,900</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 March 15, 2006 and are signed on its behalf by:


) Directors
)

THE JAMAICA STOCK EXCHANGE LIMITED
BALANCE SHEET AT DECEMBER 31, 2005

	<u>Notes</u>	<u>2005</u> \$'000	<u>2004</u> \$'000
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	5	73,024	53,131
Intangible assets	6	15,339	5,847
Investment in subsidiary	7	108,403	87,258
Investments in securities			
Compensation Fund	8(a)	179,717	187,519
Other	8(b)	177,744	178,236
Long-term receivable	9	3,648	864
Retirement benefit asset	10	<u>21,161</u>	<u>12,789</u>
		<u>579,036</u>	<u>525,644</u>
Current assets			
Accounts receivable and prepayments	11	41,112	28,398
Investments in securities			
Compensation Fund	8(a)	224,536	191,320
Other	8(b)	61,333	85,258
Cash and bank deposits	12	<u>15,573</u>	<u>10,427</u>
		<u>342,554</u>	<u>315,403</u>
Total assets		<u>921,590</u>	<u>841,047</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Share capital	13	550	2
Reserves			
Share premium		8,040	8,040
Capital reserve	14	104,900	104,900
Capital redemption reserve fund		100	100
Fair value reserve	15	(1,880)	1,682
Contingency reserve	16	384,980	356,349
Revenue reserve			
Income and expenditure account		<u>346,862</u>	<u>304,574</u>
		<u>843,552</u>	<u>775,647</u>
Non-current liabilities			
Long-term liabilities	17	10,112	3,847
Deferred tax liabilities	18	<u>35,083</u>	<u>30,411</u>
		<u>45,195</u>	<u>34,258</u>
Current liabilities			
Accounts payable and accruals	19	27,484	17,215
Income tax payable		<u>5,359</u>	<u>13,927</u>
		<u>32,843</u>	<u>31,142</u>
Total equity and liabilities		<u>921,590</u>	<u>841,047</u>

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

The financial statements on Statements II to VI were approved and authorized for issue by the Board of Directors on March 15, 2006 and are signed on its behalf by:


 _____, Director

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

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED DECEMBER 31, 2005

	<u>Notes</u>	<u>2005</u> \$'000	<u>2004</u> \$'000
OPERATIONS			
Income			
Cess		119,649	107,345
Fee income		<u>113,855</u>	<u>51,351</u>
		233,504	158,696
Expenses		<u>180,575</u>	<u>135,495</u>
Surplus before investment and other income		52,929	23,201
Investment and other income	21	<u>80,562</u>	<u>60,699</u>
Surplus on operations		<u>133,491</u>	<u>83,900</u>
COMPENSATION FUND			
Compensation Fund investment income (net)	21	<u>43,375</u>	<u>60,201</u>
SURPLUS BEFORE TAXATION	21	176,866	144,101
Taxation	22	(<u>62,653</u>)	(<u>35,100</u>)
NET SURPLUS OF THE GROUP FOR THE YEAR	23	<u>114,213</u>	<u>109,001</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, 2005

	Notes	Share Capital \$'000	Share Premium \$'000	Capital Reserve \$'000	Capital Redemption Fund \$'000	Fair Value Reserve \$'000	Contingency Reserve \$'000	Revenue Reserve \$'000	Total \$'000
Balance at January 1, 2004		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 for the year		-	-	-	-	638	3,438	-	4,076
Deferred tax on fair value adjustment for year	19	-	-	-	-	(213)	(1,146)	-	(1,359)
Appropriation from income and expenditure account to contingency reserve fund	16	-	-	-	-	-	42,685	(42,685)	-
Balance at December 31, 2004		2	8,040	104,900	100	1,682	356,349	289,046	760,119
Net surplus for the year		-	-	-	-	-	-	114,213	114,213
Issue of shares	13(a)	548	-	-	-	-	-	(548)	-
Fair value adjustment on disposal		-	-	-	-	(2,364)	(825)	-	(3,189)
Deferred tax adjustment on disposal	19	-	-	-	-	788	275	-	1,063
Fair value adjustment for the year		-	-	-	-	(5,181)	406	-	(4,775)
Deferred tax on fair value adjustment for year	19	-	-	-	-	1,727	(135)	-	1,592
Appropriation from income and expenditure account to contingency reserve fund	16	-	-	-	-	-	28,910	(28,910)	-
Balance at December 31, 2005		<u>550</u>	<u>8,040</u>	<u>104,900</u>	<u>100</u>	<u>(3,348)</u>	<u>384,980</u>	<u>373,801</u>	<u>869,023</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, 2005

	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
OPERATING ACTIVITIES		
Net surplus	114,213	109,001
Adjustments for:		
Depreciation	6,777	5,103
Amortisation of intangible assets	3,818	1,626
Deferred tax adjustment	21,555	(6,794)
(Gain) loss on disposal of property, plant and equipment	(45)	46
Unrealised foreign exchange gains on investments	(5,339)	(1,037)
(Increase) decrease in retirement benefit asset	(10,465)	(12,935)
Gain on disposal of available-for-sale investment	<u>(3,189)</u>	<u>-</u>
Operating cash flows before movements in working capital	127,325	95,010
Increase in operating assets		
Accounts receivable and prepayments	(19,142)	(6,239)
(Decrease) increase in operating liabilities		
Accounts payable and accruals	14,756	10,413
Income tax payable	<u>(2,529)</u>	<u>3,025</u>
Cash provided by operating activities	<u>120,410</u>	<u>102,209</u>
INVESTING ACTIVITIES		
Net acquisition of investments in securities		
Compensation Fund	(22,731)	(46,006)
Other	(11,068)	(75,813)
Acquisition of property, plant and equipment	(28,796)	(13,892)
Acquisition of intangible assets	(56,391)	(22,867)
Proceeds on disposal of property, plant and equipment	51	5
Long-term receivables	<u>(2,784)</u>	<u>(464)</u>
Cash used in investing activities	<u>(121,719)</u>	<u>(159,037)</u>
FINANCING ACTIVITIES		
Transfer of share of a premium	-	50,000
Loan financing (net)	<u>9,589</u>	<u>3,847</u>
Cash provided by financing activities	<u>9,589</u>	<u>53,847</u>
NET INCREASE (DECREASE) IN CASH AND BANK DEPOSITS	8,280	(2,981)
OPENING CASH AND BANK DEPOSITS	<u>15,076</u>	<u>18,057</u>
CLOSING CASH AND BANK DEPOSITS	<u>23,356</u>	<u>15,076</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, 2005

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.

Effective October 14, 2005, the company has changed its status from a private limited liability company to a public limited liability company.

(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 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting period beginning on January 1, 2005.

Except as stated in the subsequent paragraph the adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies nor the amounts reported for the current or prior years, although additional disclosures have resulted in some instances.

The adoption of revised IAS 27 Consolidated and Separate Financial Statements, resulted in a change of policy to account for investment in the subsidiary under the cost method in place of the equity method adopted under the old standard (see Note 7).

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

At the date of authorization of these financial statements, there were certain Standards and Interpretations that were in issue but not yet effective, of which the following standards and interpretations may become applicable to the Group.

IFRS 7	Financial Instruments: Disclosure
IFRIC 4	Determining whether an Arrangement contains a lease
IFRIC 8	Scope of IFRS 2 on share-based payments
IFRIC 9	Re-assessment of Embedded Derivatives

The directors anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Presentation of financial statements

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, 2005.

Reporting Currency

These financial statements are expressed in Jamaican dollars.

(b) Basis 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, 2005

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Use of estimates

The preparation of financial statements in conformity with IFRS 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 charged so as to write-off the cost of assets other than land, over the estimated useful lives, using the straight-line method.

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 is measured initially at purchase cost and amortised on a straight-line basis over the estimated useful lives which are 3 – 5 years.

(f) Investments in securities

The group classifies its investments securities into the following categories; held- to-maturity, loans and receivables and available-for-sale securities. Management determines the classification of its investments at initial recognition and is recognized at fair value, plus directly attributable transaction cost.

Held-to-maturity investments are non-derivative investments with fixed or determinable payments and fixed maturities, that the group's management has the positive intention and ability to hold to maturity. Were the group to sell other than an insignificant amount of the held-to-maturity investments, the entire category would be reclassified as available-for-sale. These investments are subsequently measured at amortised cost using the effective interest rate method.

Loans and receivable are non-derivative investments with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest rate method.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Investments in securities (Cont'd)

Available-for-sale investmentes are those intended to be held for an indefinite period of time, which may be sold in response to needs of liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured at fair value. The gains or losses arising from changes in the fair value are recognized directly in equity, until the investments are derecognized or impaired at which point the cumulative gains or losses previously recognized in equity is recognized in the profit and loss account.

(g) Long-term receivables

These motor vehicle loans granted to employees are shown at nominal value.

(h) Employee benefits

Pension obligations

The group operates a defined benefit pensions plan. The plan is funded by contributions from employees and employer. The employees contribute at the rate of 5% of pensionable salaries (with the option of contributing an additional 5%). The group's rate of contribution is determined by independent actuaries.

The cost of providing benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out each balance sheet date. Actuarial gains and losses that exceed 10% of the greater of the present value of the group's obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

The retirement benefit asset recognised in the balance sheet represents the present value of the defined benefit obligations as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Termination obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(i) Accounts receivable

Fees and contributions receivable are measured initially at fair values. Interest is not charged on outstanding balances and these are not generally discounted as they are usually settled within a short period during which market interest rates do not normally fluctuate significantly. Appropriate allowances for estimated irrecoverable amounts are recognized in the income and expenditure account, when there is objective evidence that the asset is impaired. The allowance recognized is measured on the difference between the carrying amount and the present value of estimated future cash flows.

(j) 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.

(k) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Taxation (Cont'd)

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.

(l) Accounts payable

These amounts are stated at their nominal value.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business.

(i) Income from operations of the parent includes:

- (a) Cess income which is based on a percentage of the volume of business done through brokers on the Exchange and derived from levies on investors is accounted for on the accruals basis.**
- (b) Fee income, derived from annual listing fees charged to listed companies is accounted for on the accruals basis. Fee income also includes initial listing fees paid by companies wishing to be listed on the Stock Exchange. These are accounted for on a cash basis.**

(ii) Income from operations of the subsidiary is service fees levied on participants of the CSD which include brokers and institutional investors. The service fees which are accounted for on an accrual basis include:

(a) Membership fees

These are annual fees which include a one time fee for new participants.

(b) Account maintenance fees

These are monthly fees charged to the brokers and institutional investors who participate in the CSD.

(c) User fees

These include charges per transaction for deposits, withdrawals and delivery orders (trades).

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(m) Revenue recognition (Cont'd)

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receivable through the expected life of the financial asset to that assets net carrying amount.

(n) 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 member dealers as the Board was of the view that the reserve was adequate for the specific purpose. (See Note 3(n)(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 Board 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 3(n)(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 8(a).

(o) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the company operates (its functional currency).

In preparing the financial statements of the group, transactions in currencies other than the group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the re-translation of monetary items, are included in income and expenditure for the period.

(p) Financial instruments

Financial instruments include contracts that give rise to both financial assets and financial liabilities. Financial assets and liabilities are recognized on the group's balance sheet when the group becomes a party to the contractual provision of the instrument.

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

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005**

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Financial instruments (Cont'd)

Financial liabilities are equity instruments issued by the group and are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Financial assets include investment in securities, investment in subsidiary, long-term receivable, accounts receivable and cash and bank deposits. Financial liabilities includes long-term liabilities and accounts payable.

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

The fair value of financial instruments is discussed in Note 25.

(q) Impairment of tangible and intangible assets

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
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NOTES TO THE FINANCIAL STATEMENTS

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**4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

In the process of applying the group's accounting policies, which are described in Note 3, management has made the following judgments and estimates that have the most significant effect on the amounts recognized in the financial statements and could cause material adjustments to the carrying amounts of assets and liabilities.

As disclosed in Note 10, the group operates a defined benefit pension plan. The amount shown in the balance sheet of an asset of approximately \$26 million in respect of the defined benefits plan pension is subject to estimates in respect of periodic costs which costs would be dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan.

The estimated returns on pension assets assumption is determined by considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The group estimates the appropriate discount rate annually which rate is used to determine the present value of estimated cash outflows expected to be required to settle the pension and post-retirement benefit obligation.

To determine the appropriate discount rate in the absence of high quality corporate bonds, the interest rate on government bonds that have maturities approximating the related pension liabilities were considered.

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5 PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold Land</u> \$'000	<u>Freehold Buildings</u> \$'000	<u>Furniture & Fixtures</u> \$'000	<u>Office Equipment</u> \$'000	<u>Computer Hardware</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>TOTAL</u> \$'000
(a) The Group							
At cost							
January 1, 2004	5,154	39,007	4,572	3,916	20,474	716	73,839
Additions	-	741	932	221	11,998	-	13,892
Disposals	-	(44)	-	(18)	-	-	(62)
January 1, 2005	5,154	39,704	5,504	4,119	32,472	716	87,669
Additions	-	18,798	1,564	3,206	5,228	-	28,796
Disposals	-	-	(3)	(64)	-	(716)	(783)
December 31, 2005	<u>5,154</u>	<u>58,502</u>	<u>7,065</u>	<u>7,261</u>	<u>37,700</u>	-	<u>115,682</u>
Depreciation							
January 1, 2004	-	7,073	3,127	3,014	14,966	715	28,895
Charge for year	-	981	455	289	3,378	-	5,103
Disposal	-	(3)	-	(8)	-	-	(11)
January 1, 2005	-	8,051	3,582	3,295	18,344	715	33,987
Charge for year	-	1,032	544	511	4,690	-	6,777
Disposal	-	-	(3)	(39)	-	(715)	(777)
December 31, 2005	-	<u>9,083</u>	<u>4,123</u>	<u>3,747</u>	<u>23,034</u>	-	<u>39,987</u>
Net book value							
December 31, 2005	<u>5,154</u>	<u>49,419</u>	<u>2,942</u>	<u>3,514</u>	<u>14,666</u>	-	<u>75,695</u>
December 31, 2004	<u>5,154</u>	<u>31,653</u>	<u>1,922</u>	<u>824</u>	<u>14,128</u>	<u>1</u>	<u>53,682</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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5 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	<u>Freehold Land</u> \$'000	<u>Freehold Buildings</u> \$'000	<u>Furniture & Fixtures</u> \$'000	<u>Office Equipment</u> \$'000	<u>Computer Hardware</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>TOTAL</u> \$'000
(b) The Company							
At cost							
January 1, 2004	5,154	39,007	4,454	3,438	15,883	716	68,652
Additions	-	741	904	201	11,854	-	13,700
Disposals	-	(44)	-	(18)	-	-	(62)
January 1, 2005	5,154	39,704	5,358	3,621	27,737	716	82,290
Additions	-	18,798	726	2,766	4,121	-	26,411
Disposals	-	-	(3)	(64)	-	(716)	(783)
December 31, 2005	<u>5,154</u>	<u>58,502</u>	<u>6,081</u>	<u>6,323</u>	<u>31,858</u>	-	<u>107,918</u>
Depreciation							
January 1, 2004	-	7,073	3,068	2,788	10,541	715	24,185
Charge for year	-	981	441	227	3,336	-	4,985
Disposals	-	(3)	-	(8)	-	-	(11)
January 1, 2005	-	8,051	3,509	3,007	13,877	715	29,159
Charge for year	-	1,032	521	410	4,549	-	6,512
Disposals	-	-	(3)	(59)	-	(715)	(777)
December 31, 2005	-	<u>9,083</u>	<u>4,027</u>	<u>3,358</u>	<u>18,426</u>	-	<u>34,894</u>
Net book value							
December 31, 2005	<u>5,154</u>	<u>49,419</u>	<u>2,054</u>	<u>2,965</u>	<u>13,432</u>	<u>-</u>	<u>73,024</u>
December 31, 2004	<u>5,154</u>	<u>31,653</u>	<u>1,849</u>	<u>614</u>	<u>13,860</u>	<u>1</u>	<u>53,131</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

5 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The following rates are used for the depreciation of property, plant and equipment:

Buildings	-	2.5%
Furniture and fixtures	-	10%
Office equipment	-	20%
Computer hardware	-	20%
Motor vehicles	-	20%

The group has reviewed the residual values used for the purposes of depreciation calculations in light of the amended definition of residual values in the revised IAS 16, property, plant and equipment. The review did not highlight any requirements for an adjustment to residual values used in the current or prior periods. In line with the new requirements, these residual values will be reviewed and updated annually in the future.

6 INTANGIBLE ASSETS

	The Group			The Company	
	Computer Software \$'000	Computer Development Project \$'000	Total \$'000	Computer Software \$'000	Total \$'000
Cost					
January 1, 2004	13,117	9,146	22,263	5,561	5,561
Additions	<u>7,747</u>	<u>15,120</u>	<u>22,867</u>	<u>4,134</u>	<u>4,134</u>
January 1, 2005	20,864	24,266	45,130	9,695	9,695
Additions	<u>12,482</u>	<u>43,909</u>	<u>56,391</u>	<u>12,328</u>	<u>12,328</u>
December 31, 2005	<u>33,346</u>	<u>68,175</u>	<u>101,521</u>	<u>22,023</u>	<u>22,023</u>
Amortisation					
January 1, 2004	9,234	-	9,234	2,524	2,524
Charge for the year	<u>1,626</u>	<u>-</u>	<u>1,626</u>	<u>1,324</u>	<u>1,324</u>
January 1, 2005	10,860	-	10,860	3,848	3,848
Charge for the year	<u>3,818</u>	<u>-</u>	<u>3,818</u>	<u>2,836</u>	<u>2,836</u>
December 31, 2005	<u>14,678</u>	<u>-</u>	<u>14,678</u>	<u>6,684</u>	<u>6,684</u>
Carrying amount					
December 31, 2005	<u>18,668</u>	<u>68,175</u>	<u>86,843</u>	<u>15,339</u>	<u>15,339</u>
December 31, 2004	<u>10,004</u>	<u>24,266</u>	<u>34,270</u>	<u>5,847</u>	<u>5,847</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

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6 INTANGIBLE ASSETS (Cont'd)

The intangible assets included above have finite useful lives, over which the assets are amortised. The amortisation period for computer software is five years. However, amortisation of the software development project will commence when the software is fully implemented.

7 INVESTMENT IN SUBSIDIARY

	The Company	
	2005	2004
	\$'000	\$'000
Shares – at cost	55,000	55,000
Advances	53,403	32,258
	108,403	87,258

8 INVESTMENTS IN SECURITIES

(a) Compensation Fund

	The Group and The Company	
	2005	2004
	\$'000	\$'000
<u>Held-to-maturity</u>		
<i>Government of Jamaica Securities</i>		
Variable Rates Local Registered Stocks	30,208	30,577
Fixed Rate Local Registered Stocks	-	26,449
<i>Investment Debentures</i>		
Series Aa	-	16,915
Series Ac	3,350	6,700
Series Af	3,000	3,000
Series Ag	-	18,700
Series Am	23,700	23,700
Series An	19,118	19,118
Series Ar	5,000	-
Series Aq	3,002	3,002
<i>Investment Bonds</i>		
Series 2006 C	1,500	1,500
Series 2007 G	8,739	8,739
Series 2008 E	3,300	3,300
Series 2008 K	1,300	1,300
Series 2009	25,309	-
Series 2009 M	8,000	-
Carried forward	135,526	163,000

**THE JAMAICA STOCK EXCHANGE LIMITED
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YEAR ENDED DECEMBER 31, 2005

8 INVESTMENTS IN SECURITIES (Cont'd)

(a) Compensation Fund (Cont'd)

	<u>The Group and The Company</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Brought forward	135,526	163,000
<i>Foreign Currency Investments</i>		
GOJ Fixed Rate US\$ Global Bonds – 10.625% (US\$350,000 – 2017)	22,463	21,446
GOJ Fixed Rate US\$ Index Bonds – 2005 A (US\$10,400)	-	637
GOJ 12% US\$ Notes – 2005 (US\$230,000)	-	14,093
Government of Belize guaranteed mortgage notes – 2014 (US\$49,201) (2004: US\$49,207)	3,158	3,015
MAN-IP Multi-strategy Series 3 Limited Bonds – 2012 (US\$250,000)	<u>16,045</u>	<u>15,319</u>
	<u>177,192</u>	<u>217,510</u>
<u>Available-for-sale</u>		
Investments in Unit Trusts	<u>36,400</u>	<u>23,888</u>
<u>Loans and receivables</u>		
Repurchase agreements	140,593	107,748
Repurchase agreements (US\$249,195) (2004: US\$275,406)	<u>15,993</u>	<u>16,875</u>
	<u>156,586</u>	<u>124,623</u>
<i>Cash and Others</i>		
Bank and short-term deposits	23,030	2,377
Interest receivable	16,643	16,038
Other receivables	653	1
Payables	(6,251)	(5,598)
	<u>34,075</u>	<u>12,818</u>
	404,253	378,839
Less: Current portion	<u>(224,536)</u>	<u>(191,320)</u>
	<u>179,717</u>	<u>187,519</u>
The movement for the year in available-for-sale investments is as follows:		
Opening balance	23,888	20,450
Acquisition	13,701	-
Disposal	(1,595)	-
Increase in fair value	<u>406</u>	<u>3,438</u>
Closing balance	<u>36,400</u>	<u>23,888</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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YEAR ENDED DECEMBER 31, 2005

8 INVESTMENTS IN SECURITIES (Cont'd)

(b) Other

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
<u>Held-to-maturity</u>				
<i>Government of Jamaica Securities</i>				
Variable Rates Local Registered				
Stocks	32,000	32,000	32,000	32,000
Fixed Rate Local Registered Stocks	3,004	25,071	3,004	25,071
Investment Debentures				
Series Aa	-	1,100	-	500
Series Ag	-	6,600	-	5,000
Series Am	4,576	4,576	4,126	4,126
Series Ap	20,000	40,000	20,000	40,000
Series Aq	3,000	-	3,000	-
Series Ar	17,600	-	16,000	-
Series Au	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
	81,680	109,347	78,130	106,697
<i>Government of Jamaica VR</i>				
<i>Investment Bonds J\$</i>				
Series C	7,811	7,811	7,197	7,197
Series D	-	2,700	-	2,000
Series G	8,500	8,500	7,000	7,000
Series E	500	500	-	-
Series K	2,400	2,400	-	-
Series P	1,800	-	-	-
Series M	3,000	-	-	-
Series N	34,245	-	28,245	-
Series S	39,682	-	36,982	-
Series W	12,000	-	12,000	-
Series V	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carried forward	<u>196,618</u>	<u>131,258</u>	<u>169,554</u>	<u>122,894</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

8 INVESTMENTS IN SECURITIES (Cont'd)

(b) Other (Cont'd)

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
Brought forward	196,618	131,258	169,554	122,894
<i>Foreign Currency Investments</i>				
Government of Belize guaranteed mortgage notes – 2014 (US\$49,201) (2003– US\$50,393)	3,158	3,015	3,158	3,015
GOJ 11.625% US\$ Index Bond – 2005 (US\$236,700)	-	14,504	-	14,504
MAN-IP Multi – strategy (Series 3) Limited Bonds – 2012 (US\$250,000)	16,045	15,319	16,045	15,319
GOJ 11.75% US\$ Index Bond - 2006 (US\$50,000)	3,209	3,064	3,209	3,064
GOJ 10.625% US\$ Index Bond - 2017 (US\$410,000)	<u>26,314</u>	<u>25,122</u>	<u>26,314</u>	<u>25,122</u>
	<u>245,344</u>	<u>192,282</u>	<u>218,280</u>	<u>183,918</u>
<u>Available-for-sale</u>				
Investments in Unit Trusts	<u>22,834</u>	<u>4,713</u>	<u>14,036</u>	<u>4,713</u>
<u>Loans and receivables</u>				
Repurchase agreements	<u>26,439</u>	<u>88,669</u>	<u>6,761</u>	<u>74,863</u>
	294,612	285,664	239,077	263,494
Less: Current portion	(95,868)	(101,964)	(61,333)	(85,258)
	<u>198,744</u>	<u>183,700</u>	<u>177,744</u>	<u>178,236</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
Opening balance	4,713	4,075	4,713	4,075
Acquisition	27,877	-	16,877	-
Disposal	(4,575)	-	(4,575)	-
(Decrease) increase in fair value	(5,181)	<u>638</u>	(2,979)	<u>638</u>
Closing balance	<u>22,834</u>	<u>4,713</u>	<u>14,036</u>	<u>4,713</u>

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9 LONG-TERM RECEIVABLE

This represents loans granted to employees. The loans are repayable by monthly instalments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, amounting to \$688,762 (2004: \$352,786), due within twelve months from the year-end, is included in other receivable.

10 RETIREMENT BENEFIT ASSET

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.

(a) Key assumptions used:

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
Discount rate	12.5%	12.5%
Expected return on plan assets	10.0%	10.0%
Expected rate of salary increase	9.0%	9.0%
Future pension increases	0.0%	0.0%

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10 **RETIREMENT BENEFIT ASSET (Cont'd)**

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligations	(11,740)	(6,614)	(9,513)	(5,291)
Fair value of plan assets	64,782	42,849	51,947	34,279
Unrecognised actuarial gains	(11,018)	(424)	(9,810)	(339)
Assets not recognized due to limitation in paragraph 58 of IAS 19	<u>(15,573)</u>	<u>(19,825)</u>	<u>(11,463)</u>	<u>(15,860)</u>
Net asset in balance sheet	<u>26,451</u>	<u>15,986</u>	<u>21,161</u>	<u>12,789</u>

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

	<u>The Group</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Current service cost	355	(232)
Interest cost	1,027	628
Expected return on plan assets	(4,285)	(4,130)
Recognised gains	-	-
(Decrease) increase in unrecognized assets	<u>(5,920)</u>	<u>(8,021)</u>
Total included in employee benefit costs (Note 21)	<u>8,823</u>	<u>(11,755)</u>
Actual return on plan assets	<u>18,326</u>	<u>5,735</u>

(d) Movements in the net asset in the current period were as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
At January 1	15,986	3,051	12,789	1,952
Amount charged to income	8,823	11,755	7,059	9,938
Contributions paid	<u>1,642</u>	<u>1,180</u>	<u>1,313</u>	<u>899</u>
At December 31	<u>26,451</u>	<u>15,986</u>	<u>21,161</u>	<u>12,789</u>

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10 **RETIREMENT BENEFIT ASSET (Cont'd)**

(e) Changes on the present value of the defined benefit obligations were as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
Opening defined benefit obligations	6,614	3,524	5,291	2,819
Service cost	355	(232)	284	529
Interest cost	1,027	628	821	502
Members' contributions	2,155	1,513	1,845	496
Benefits paid	(190)	-	(152)	-
Actuarial loss	<u>1,779</u>	<u>1,181</u>	<u>1,424</u>	<u>945</u>
	<u>11,740</u>	<u>6,614</u>	<u>9,513</u>	<u>5,291</u>

(f) Changes in the fair value of plan assets are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
Opening fair value of plan asset	42,849	34,421	34,279	27,537
Members' contributions	2,155	1,513	1,845	1,210
Employers contributions	1,642	1,180	1,314	944
Expected return on plan asset	4,285	4,130	3,428	3,304
Benefits paid	(190)	-	(152)	-
Actuarial gain	<u>14,041</u>	<u>1,605</u>	<u>11,233</u>	<u>1,284</u>
	<u>64,782</u>	<u>42,849</u>	<u>51,947</u>	<u>34,279</u>

(g) The fair value of plan assets is analysed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
Equity investment	31,659	14,500	25,327	11,600
Government of Jamaica securities	28,161	25,386	22,528	20,309
Others	<u>4,962</u>	<u>2,963</u>	<u>4,092</u>	<u>2,370</u>
	<u>64,782</u>	<u>42,849</u>	<u>51,947</u>	<u>34,279</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

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11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u> \$'000	<u>2004</u> \$'000	<u>2005</u> \$'000	<u>2004</u> \$'000
Fees and contributions receivable	16,359	10,476	9,244	8,432
Interest receivable	12,831	11,654	11,074	10,723
Prepayments	14,260	7,676	12,727	6,244
Other	<u>11,811</u>	<u>6,312</u>	<u>8,581</u>	<u>3,513</u>
	55,261	36,118	41,626	28,912
Less: Provision for impairment	<u>599</u>	<u>599</u>	<u>514</u>	<u>514</u>
	<u>54,662</u>	<u>35,519</u>	<u>41,112</u>	<u>28,398</u>

12 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 and the company.

(a) The Group

Bank deposits include interest bearing deposits totalling \$17.6 million (2004: \$11.1 million) including foreign currency deposits amounting to \$2.5 million (2004: \$1.4 million). Interest on the local currency deposits ranged between 12.1% to 13.1% (2004: 13% to 16.5%) per annum and the interest on foreign currency deposit ranged from 1.9% to 5.9% (2004: 6.1% to 8%) per annum.

(b) The Company

Bank deposits included interest bearing deposits totalling \$11.7 million (2004: \$9.5 million) including foreign currency deposits amounting to \$1.6 million (2004: \$1.4 million). Interest on the local currency deposit is 12.7% (2004: 14% - 16.5%) per annum and the interest rate on foreign currency deposits ranges from 6.1% to 8% (2004: 6.1% to 8%) per annum.

13 SHARE CAPITAL

	<u>2005</u> \$'000	<u>2004</u> \$'000
Authorised capital (Note 13(a))	<u>700,000</u>	<u>104</u>
Issued capital (Note 13(c))	<u>550</u>	<u>2</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

13 SHARE CAPITAL (Cont'd)

- (a) By an Extraordinary 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 authorized share capital of \$104,000 existing at December 31, 2004 was changed as follows:

- 20 ordinary shares of \$200.00 each converted to 4,000 ordinary shares of \$1.00 each.
 - 100,000 preference shares of \$1.00 each converted to 100,000 ordinary shares of \$1.00 each.
- (b) By ordinary resolution dated February 26, 2005, the company elected to temporarily retain the par value of the shares for an eighteen months period commencing February 1, 2005 and ending 31st day of July, 2006.
- (c) By resolution dated March 16, 2005, \$547,800 out of the retained surplus of the company as at December 31, 2004, was capitalized for the allotment of 547,800 ordinary shares of \$1 each to the members (49,800 shares to each member) of the company at December 31, 2004.

14 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.

15 FAIR VALUE RESERVE

The reserve represents the fair value adjustment relating to available-for-sale investments in securities – other (Note 8(b)).

16 CONTINGENCY RESERVE

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	<u>\$'000</u>	<u>\$'000</u>
The transfer from income and expenditure account comprises:		
Surplus – Compensation fund before taxation	<u>43,375</u>	<u>60,201</u>
Less:		
Income tax charge for year at 33 1/3%	<u>13,442</u>	<u>22,328</u>
Deferred tax adjustment	<u>1,023</u>	<u>(4,812)</u>
	<u>14,465</u>	<u>17,516</u>
	<u>28,910</u>	<u>42,685</u>

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YEAR ENDED DECEMBER 31, 2005

16 CONTINGENCY RESERVE (Cont'd)

This reserve comprises:

	<u>The Group and the Company</u>	
	<u>2005</u> \$'000	<u>2004</u> \$'000
Investment before fair value adjustment	385,548	359,715
Fair value adjustments	<u>18,705</u>	<u>19,124</u>
Investments in securities (see Note 8(a))	404,253	378,839
Income tax payable	(2,316)	(6,416)
Deferred tax liability	<u>(16,957)</u>	<u>(16,074)</u>
	<u>384,980</u>	<u>356,349</u>

17 REVENUE RESERVE – INCOME AND EXPENDITURE ACCOUNT

Reflected in the financial statements of the:

	<u>2005</u> \$'000	<u>2004</u> \$'000
Parent company	346,862	304,574
Subsidiary	<u>26,939</u>	<u>(15,528)</u>
	<u>373,801</u>	<u>289,046</u>

18 LONG-TERM LIABILITIES

	<u>The Group and the Company</u>	
	<u>2005</u> \$'000	<u>2004</u> \$'000
Capital & Credit Merchant Bank Limited (CCMB) (US\$72,476) (2004: \$123,580) (Note 18(a))	4,681	7,616
Capital & Credit Merchant Bank Limited (Note 18(b))	<u>12,524</u>	<u>-</u>
	17,205	7,616
Less current portion (Note 20)	<u>(7,093)</u>	<u>(3,769)</u>
	<u>10,112</u>	<u>3,847</u>

- (a) The loan from Capital & Credit Merchant Bank Limited is evidenced by a Promissory note along with a Corporate Borrowing Resolution, supported by a Bill of Sale stamped to cover the Jamaican dollar equivalent of US\$158,322 plus interest over computer equipment. Interest is charged at an initial rate of 11.25% per annum and is variable at the sole discretion of bank. The facility is repayable by thirty-six (36) monthly payments by February 2007.

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

18 **LONG-TERM LIABILITY (Cont'd)**

- (b) The loan from Capital & Credit Merchant Bank Limited is evidenced by a Promissory Note along with a Corporate Borrowing Resolution and secured by a Bill of Sale stamped to cover \$12.524M plus interest over computer equipment. Security also includes assignment by the bank of the comprehensive peril insurance on the computer equipment for the full replacement value. Interest is charged at an initial rate of 18.5% per annum and is variable at the discretion of the bank. The facility is repayable by thirty-six (36) monthly payments by October 2008.

19 **DEFERRED TAX**

Analysis for financial reporting purposes.

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
Deferred tax asset	734	10,804	-	-
Deferred tax liabilities	(42,941)	(34,111)	(35,083)	(30,411)
Net position at December 31	(42,207)	(23,307)	(35,083)	(30,411)

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
At January 1	(23,307)	(28,742)	(30,411)	(28,742)
(Charged) credit to income for the year	(21,555)	6,794	(6,593)	(310)
Net credit (charged) to fair value reserve for the year	2,515	(213)	1,781	(213)
Net credit (charged) to contingency reserve for the year	(140)	(1,146)	140	(1,146)
At December 31	(42,207)	(23,307)	(35,083)	(30,411)

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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

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

Deferred Tax Asset

	The Group		
	Unrealised Loss on Investment \$'000	Tax Loss \$'000	Total \$'000
At January 1, 2004	-	1,363	1,363
Credit to income for the year	<u>-</u>	<u>9,441</u>	<u>9,441</u>
At December 31, 2004	-	10,804	10,804
Charge to income for the year	<u>734</u>	<u>(10,804)</u>	<u>(10,070)</u>
At December 31, 2005	<u>734</u>	<u>-</u>	<u>734</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

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

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

Deferred Tax Liabilities

	<u>The Group</u>					<u>The Company</u>				
	<u>Capital Allowance in excess of Depreciation</u> \$'000	<u>Interest Receivable</u> \$'000	<u>Unrealised Gains in Investment in Securities</u>	<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>	<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)
Charge to income for the year	(2,641)	4,707	(400)	(4,313)	(2,647)	(1,109)	4,812	(400)	(3,613)	(310)
Charge to equity - fair value reserve	-	-	(213)	-	(213)	-	-	(213)	-	(213)
Charge to equity - contingency reserve	-	-	(1,146)	-	(1,146)	-	-	(1,146)	-	(1,146)
At December 31, 2004	(5,670)	(9,230)	(13,882)	(5,329)	(34,111)	(3,346)	(8,920)	(13,882)	(4,263)	(30,411)
Charge to income for the year	(4,825)	(658)	(1,780)	(3,488)	(10,751)	(1,640)	(382)	(1,780)	(2,791)	(6,593)
Net credit to fair value reserve	-	-	1,781	-	1,781	-	-	1,781	-	1,781
Net credit to contingency reserve	-	-	140	-	140	-	-	140	-	140
At December 31, 2005	<u>(10,495)</u>	<u>(9,888)</u>	<u>(13,741)</u>	<u>(8,817)</u>	<u>(42,941)</u>	<u>(4,986)</u>	<u>(9,302)</u>	<u>(13,741)</u>	<u>(7,054)</u>	<u>(35,083)</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

20 ACCOUNTS PAYABLE AND ACCRUALS

	The Group		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Accruals and other payables	31,259	16,503	20,391	13,446
Current portion of long-term liabilities (Note 18)	7,093	3,769	7,093	3,769
	38,352	20,272	27,484	17,215

21 SURPLUS BEFORE TAXATION

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

	The Group	
	2005	2004
	\$'000	\$'000
Operations – Investment and other income:		
Interest income	43,160	41,678
Foreign exchange gains	3,486	890
Refund of legal costs	11,000	5,000
Gain on disposal of available-for-sale investment	2,364	-
Other	20,552	13,131
	80,562	60,699
Compensation Fund investment income:		
Interest income	46,344	56,931
Foreign exchange gains	3,415	1,245
Gain on disposal of available-for-sale investment	825	-
Other	344	9,009
Less: Expenses	(7,553)	(6,984)
	43,375	60,201
Expenses:		
Directors' fees	2,363	2,449
Audit fees	1,165	970
Depreciation of property, plant and equipment	6,777	5,103
Amortisation of intangible assets	3,818	1,626
Employee benefit costs	69,592	39,604

Employee benefit cost include compensation to key management personnel amounting to \$27.8 million (2004: \$17.3 million).

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

22 TAXATION

The charge for the year represents:

	<u>2005</u> \$'000	<u>2004</u> \$'000
Current tax	51,788	46,530
Less: Effect of tax losses utilised	(10,690)	(4,636)
Deferred tax (Note 19)	<u>21,555</u>	<u>(6,794)</u>
	<u>62,653</u>	<u>35,100</u>

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

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

	<u>2005</u> \$'000	<u>2004</u> \$'000
Surplus before taxation	<u>176,866</u>	<u>144,101</u>
- Tax at the domestic income tax rate of 33 1/3%	58,955	48,033
- Tax effect of items that are not deductible in determining taxable profit	16,355	13,068
- Effect of deferred tax on tax losses not recognized previously	-	(14,077)
- Tax effect of items allowed for tax purposes	(12,659)	(11,709)
- Other	<u>2</u>	<u>(215)</u>
	<u>62,653</u>	<u>35,100</u>

23 NET SURPLUS OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

	<u>2005</u> \$'000	<u>2004</u> \$'000
Parent company	71,746	80,985
Subsidiary	<u>42,467</u>	<u>28,016</u>
	<u>114,213</u>	<u>109,001</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

24 **COMMITMENTS**

	The Group	
	2005	2004
	\$'000	\$'000
Capital commitments contracted for but not provided for in the financial statements US\$1.83 million (2004: US\$0.4 million)	<u>112,540</u>	<u>26,444</u>

25 **FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

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 9.
- (iii) The fair values of investments in securities are as follows:

	The Group			
	2005		2004	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Investments in securities				
Compensation Fund	404,253	421,486	378,839	367,562
Other	<u>294,612</u>	<u>302,644</u>	<u>285,664</u>	<u>360,962</u>
	<u>698,865</u>	<u>724,130</u>	<u>664,503</u>	<u>728,524</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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YEAR ENDED DECEMBER 31, 2005

25 **FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)**
(iii) (Cont'd)

	The Company			
	2005		2004	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Investments in securities				
Compensation Fund	404,253	421,486	378,839	367,562
Other	<u>239,077</u>	<u>252,483</u>	<u>263,494</u>	<u>337,335</u>
	<u>643,330</u>	<u>673,969</u>	<u>642,333</u>	<u>704,897</u>

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

- (iv) The fair value of long-term liabilities approximates the carrying value, as the interest rates on the loans reflect general market rates, which are variable at the discretion of the bank.

26 **RISK MANAGEMENT**

(a) 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
	TERM TO MATURITY			
	Within One Year \$'000	One Year to Five Years \$'000	Over Five Years \$'000	
Investments in securities				
Compensation Fund				
Fixed rate	206,982	27,120	25,621	259,723
Floating rate	<u>36,399</u>	<u>46,648</u>	<u>46,253</u>	<u>129,300</u>
	<u>243,381</u>	<u>73,768</u>	<u>71,874</u>	<u>389,023</u>
Other				
Fixed rate	37,505	26,406	29,471	93,382
Floating rate	<u>42,957</u>	<u>74,182</u>	<u>84,090</u>	<u>201,229</u>
	<u>80,462</u>	<u>100,588</u>	<u>113,561</u>	<u>294,611</u>
Cash and bank deposits	<u>17,731</u>	-	-	<u>17,731</u>
Total interest bearing financial assets (2005)	<u>341,579</u>	<u>174,356</u>	<u>185,435</u>	<u>701,365</u>

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

26 **RISK MANAGEMENT (Cont'd)**

(a) Interest rate risk (Cont'd)

	The Group			
	TERM TO MATURITY			TOTAL
	Within One Year	One Year to Five Years	Over Five Years	
	\$'000	\$'000	\$'000	\$'000
Total interest bearing financial assets (2004)	<u>381,994</u>	<u>165,545</u>	<u>145,545</u>	<u>693,084</u>
Average interest yield (2005)	10.1%	14.2%	11.9%	11.2%
Average interest yield (2004)	13.5%	13.7%	14.2%	13.6%
	The Company			
	TERM OF MATURITY			TOTAL
	Within One Year	One Year to Five Years	Over Five Years	
	\$'000	\$'000	\$'000	\$'000
Investments in securities Compensation Fund				
Fixed rate	206,982	27,120	25,621	259,723
Floating rate	36,399	46,648	46,253	129,300
Other				
Fixed rate	36,891	26,406	29,471	92,768
Floating rate	14,036	55,982	76,290	146,308
Cash and bank deposits	<u>11,739</u>	-	-	<u>11,739</u>
Total interest bearing financial assets (2005)	<u>306,047</u>	<u>156,156</u>	<u>177,635</u>	<u>639,838</u>
Total interest bearing financial assets (2004)	<u>364,370</u>	<u>159,381</u>	<u>115,268</u>	<u>639,019</u>
Average interest yield (2005)	10.0%	14.3%	11.8%	11.1%
Average interest yield (2004)	13.5%	13.7%	14.2%	13.6%

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

26 RISK MANAGEMENT (Cont'd)

(a) Interest rate risk (Cont'd)

Interest profile of the financial liabilities of the group and the company at balance sheet date was as follows:

	<u>2005</u> \$'000	<u>2004</u> \$'000
Long-term liabilities	<u>17,205</u>	<u>7,616</u>
Average annual interest cost	16.5%	11.25%

Interest rates on long-term liabilities are variable at the sole discretion of the lender.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company's principal financial assets are cash and bank deposits, accounts receivable and investment in securities. The credit risk on investment in securities and cash and bank deposits is limited as the company minimises this risk by seeking to limit its obligations 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.

(c) Currency risk

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

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

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	US\$'000	US\$'000
Investments in securities	1,678	2,000
Cash and bank deposits	39	893
Long-term liabilities	(72)	(124)
Net exposure	<u>1,645</u>	<u>2,769</u>

In addition the subsidiary had capital commitments as at the balance sheet date of US\$1.8 million (2004: US\$0.4 million).

**THE JAMAICA STOCK EXCHANGE LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

26 **RISK MANAGEMENT (Cont'd)**

(d) 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.

(e) 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.

(f) 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.

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Jamaica Stock Exchange Yearly Trading Summary (1969-2005)

YEAR	YEAR-END MARKET CAPITAL JAS(000)	NO. OF LISTED COMPANIES	VOLUME TRADED (000)	VALUE TRADED JAS(000)	YEAR-END JSE INDEX	YEAR-END ALL JA COMPOSITE	YEAR-END JSE SELECT	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	47	604,545	2,064,243	20,593.33			13,748	8+
1999	104,041,538	44	520,531	2,218,714	21,892.58			9,256	6
2000	160,135,746	44	694,897	3,441,081	28,893.24	26,894.76	883.67	21,066	6
2001	222,006,166	42	2,845,199	5,948,358	33,835.59	32,508.99	1,015.26	20,979	10
2002	292,297,900	40	1,604,591	7,636,877	45,396.21	46,142.81	1,450.34	26,999	10
2003	512,884,380	41	4,290,433	24,237,330	67,586.72	55,629.64	1,697.87	35,954	10
2004	879,297,296	40	5,194,558	35,994,853	112,655.51	116,218.38	3,176.62	86,875	11
2005	839,852,762	41	2,498,028	40,746,681	104,510.38	104,941.62	2,859.62	75,001	11

+ Six (6) active Brokers

* The All Jamaican Composite started on the 01/05/00 at 31,931.32 points

* JSE Select started on the 01/06/00 at 1,000 points

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
E-Mail Address	jse-info@jamstockex.com

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.
- 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.
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.

Jamaica Stock Exchange Statement of Corporate Governance Principles & Practices

<p>Committees</p>	<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>
<p>Audit Committee</p>	<p>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.</p>
<p>Market Oversight Committee</p>	<p>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.</p>
<p>Conduct Review Committee</p>	<p>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.</p>
<p>Governance Committee</p>	<p>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 Boards other committees and make recommendations in respect to the structure of and effectiveness of the Committees.</p>
<p>Nominating Committee</p>	<p>The Nominating Committee is comprised of non-executive directors and is responsible for the recommendation of suitable candidates to fill vacancies on the Board.</p>
<p>Compensation Committee</p>	<p>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.</p>

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	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. Procedure at Board Meetings In the interest of promoting and ensuring transparency all directors must: (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.
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	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.
Term Limits	Board Members are either nominated by their brokerage firm or relevant interest groups. The mandate of independent members must be appropriately renewed. Committees <u>Chairman/Deputy Chairman</u> The Chairman and Deputy Chairman of the Board and Chairmen of Committees have recommended term limits as follows: (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 <u>Committee Members</u> 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.
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.



JAMAICA
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*“Providing A Fair, Efficient and
Transparent Stock Market”*