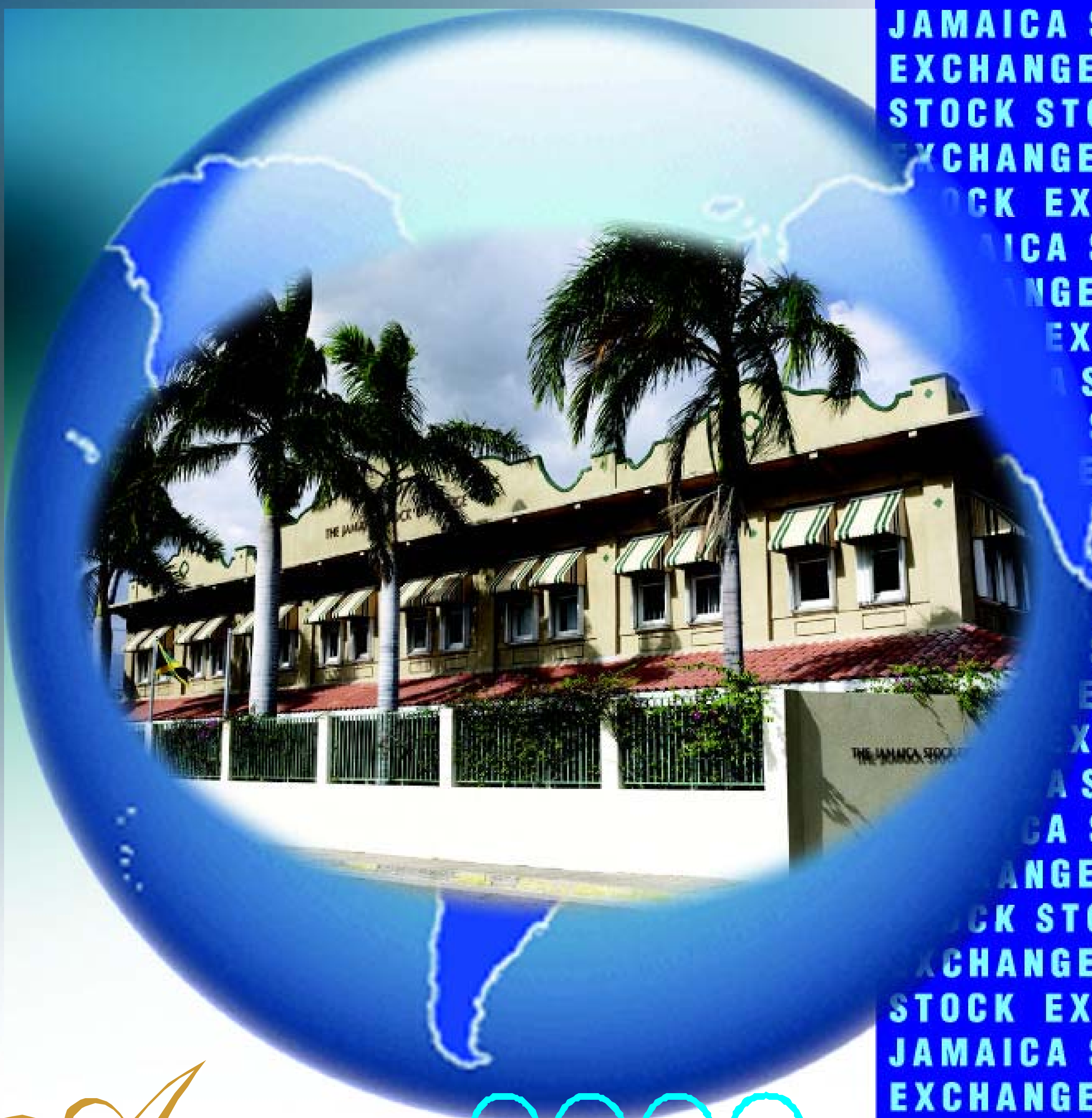
JAMAICA STOCK EXCHANGE

"Providing A Fair, Efficient and Transparent Stock Market"



ANNUAL REPORT 2006

JAMAICA STOCK EXCHANGE

"Providing A Fair, Efficientand TransparentStock Market"

Annual Report 2006

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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 30th ANNUAL GENERAL MEETING

NOTICEISHEREBYGIVEN that theThirtieth(30th) Annual GeneralMeetingoftheJamaicaStockExchangewillbeheld attheJamaicaStockExchange,40HarbourStreet,Kingstonon **Thursday,June21,2007**,commencing at1:00p.m.for thefollowingpurposes:

1. ToappointDirectors.

2. The following Directors will retire at theAnnual General Meetingandareeligibleforre-appointmentfor the year 2007/2008.

* Mr.ChristopherBerry	-	Retiring
* Mr.HughCroskery	-	Retiring
* Mr.GarfieldSinclair	-	Retiring
* Mrs.RitaHumphriesLewin	-	Retiring

3. Directoreligible tobereelectedpursuanttoArticle109:
   * MissSandraShirley

4. ToelectindependentDirectorsandnomineesofthefollowingorganizations:

(i)	MinistryofFinanceandPlanning	(MOFP)
(ii)	BankofJamaica	(BOJ)
(iii)	InstituteofCharteredAccountantsofJamaica	(ICAJ)
(iv)	ThePrivateSectorOrganizationofJamaica	(PSOJ)
(v)	TheJamaicanBarAssociation	(JBA)

5. TofixtheremunerationoftheAuditorsortodeterminethemannerinwhichsuchremunerationistobefixed. Toconsiderand(ifthoughtfit)passthefollowingResolution:

   "ThattheDirectorsbeandareherebyauthorized to fix theremunerationoftheAuditorsatafiguretobe agreedwiththem."

6. Toreceive,andifapproved,adopttheAuditedFinancialStatementsfortheyearendedDecember31,2006,together withtheDirectors'andAuditors'Reports. Toconsiderand(ifthoughtfit)passthefollowing Resolution:

   "That the Audited Financial Statements for the year ended December 31, 2006, and the Reports of the DirectorsandAuditorsbeadopted."

7. TofixthefeesoftheDirectorsortodeterminethemannerinwhichsuchfeesaretobefixed. To consider and (if thoughtfit)passthefollowingResolution:

   "ThattheDirectorsbeandareherebyauthorizedtofixtheirfeesforthefiscalperiod2007/2008."

8. Totransactanyotherordinarybusinessofthecompany.

DATEDTHIS10th DAYOFMAY2007
BYORDEROFTHEBOARD

Marlene J. Street Forrest
Secretary

Note(i) ***AmembermayappointitsSeatholderoranyotherpersontoactasitsrepresentative. Thepersonso authorizedshallbeentitledtoexercisethesamepowersasthememberwhichherepresents.***

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 SecuritiesDepository for the year ended December31,2006.

OperatingRevenuesfortheyearwere$253.6Mcomparedtotherestatedrevenueof$265.0Mfor2005,adecreaseof4%. InvestmentIncomewas$40.9Mcomparedto$48.5M,adecreaseof15.7%over2005.

Total expenses fortheyearincreasedby7.3%to$192.2Moverthepreviousyear's$179.1M.ThesurplusfromOperations was$61.4Mcomparedto$85.9M,a28.5%decrease.

Totalassetsofthecompanyanditssubsidiaryasat December31,2006were$967.9Mcomparedto$969.5Mfor2005. These figures includeCompensationFundAssetsof$434.7Mand$404.3Mfor2006and2005respectively. Shareholdersequity increasedfrom$869.0Mto$880.2M,a1.3%increase.

Theauditors,Deloitte&Touchehavesignifiedtheirwillingnesstocontinueinoffice.

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CurtisMartin
Chairman

MEMBERS OF THE JSE's BOARD OF DIRECTORS

Curtis Martin - Chairman
Curtis A. Martin is the Chairman of the Jamaica Stock Exchange and also the Jamaica Central Securities Depository Ltd. He is President and CEO of Capital & Credit Merchant Bank and Deputy Group President of Capital & Credit Financial Group Limited.

Leo Williams - Deputy
Leo Williams is the International Business Development Manager for Jamaica Money Market Brokers Ltd and a founding Managing Director of JMMB Securities, the stock brokerage arm of JMMB. He also serves on the Board of Directors of the Trinidad based CMMB Securities Ltd. and he is the Deputy Chairman of the Jamaica Stock Exchange and Chairman of the Regulations Committee of the JSE.

Hugh Croskery
Hugh Croskery is the Chairman and Managing Director of Stocks & Securities Limited (formerly Paul Chen Young & Company Ltd.) He has approximately twenty years experience in the banking industry. Mr. Croskery who is a Justice of the Peace serves as a Trustee of the Jamaica Stock Exchange Superannuation Pension Plan.

Rita Humphries Lewin
A past Chairman of the Jamaica Stock Exchange and the Jamaica Central Securities Depository, Mrs. Rita Humphries Lewin is the Founder and Chairman of the Barita Group of Companies, which includes, Barita Investments Ltd., Barita Unit Trusts Management Company Ltd. and Barita Portfolio Management Ltd. She is one of the pioneers of the stockbroking industry having been in the business for approximately thirty-five (35) years.

MEMBERS OF THE JSE's BOARD OF DIRECTORS

Edwin McKie - OD

Edwin McKie is the Chairman and Managing Director of M/VL Stockbrokers Ltd. Mr. McKie was awarded the Order of Distinction for his services to Jamaica in the field of banking. He was Trade Administrator and Chairman of the Trade Board. He also served as Board member of the National Investment Bank of Jamaica and the Bank of Jamaica. Mr. McKie is the Chairman of the Corporate Governance Committee of the JSE.

Donovan Perkins

Donovan H. Perkins is the President & CEO of Pan Caribbean Financial Services Ltd. (PCFS). He serves on the Boards of PCFS subsidiaries and also on the Boards of National Insurance Fund and Jamaica Social Investment Fund. He is an active executive of the financial services community, having served as President of the Merchant Bankers' Association and Vice President of the Jamaica Bankers' Association.

Don Wehby

Don Wehby is Deputy Chief Executive Officer of Grace Kennedy Limited and Chief Executive Officer for GK Investments. He serves on the Board of a number of Grace Kennedy subsidiaries. He also serves on the Boards of Cable & Wireless Ltd., Food for the Poor and his alma mater, St. George's College. He is also the Honorary Treasurer of the Private Sector Organization of Jamaica.

MEMBERS OF THE JSE's BOARD OF DIRECTORS

Jeffery Hall

Jeffrey Hall is currently the Divisional Director, Jamaica Producers Group Ltd. In addition to being a Director of Jamaica Producers Group, Mr. Hall who is also an attorney, serves on the Board of Wallenford Coffee Company Ltd. He is the Chairman of the Market Oversight Committee of the JSE.

Christopher Williams

Christopher Williams is the Managing Director of NCB Capital Markets Ltd. He currently serves as Chairman of the Jamaican Association for the Deaf, Director of the Jamaica College Old Boys Association, Director of the Jamaica College Foundation, and Council Member of the Jamaica Securities Dealer Association.

Allan Lewis

Allan Lewis is the Senior Vice President, Group Strategy of the Victoria Mutual Group Ltd. Prior to his present position, Mr. Lewis served as Managing Director of Prime Asset Management, where he is currently a Director. Mr. Lewis who attained the designation of Associate of the Society of Actuaries is also passionate about primary and secondary education. He is also a director on the Board of the Mona Preparatory School Foundation and the Advisory Board of the Child Development Agency.

MEMBERS OF THE JSE's BOARD OF DIRECTORS

Garfield Sinclair
Garfield Sinclair is the Chief Operating Officer of Dehring Bunting & Golding (DB&G). He has a wealth of experience in the financial services industry, having held senior positions with the audit firm Pricewaterhouse Coopers, where he specialized in auditing some of the country's largest financial institutions.

Christopher Berry
Christopher Berry has been the Chairman & CEO of Mayberry Investments Ltd. since 1993. A former Deputy Chairman of the JSE, he sits on several boards, including the Jamaica Central Securities Depository, the Forestry Conservancy, Apex Health Care Associates Limited and Apex Pharmacy Limited.

Marlene Street Forrest - JP
Secretary/General Manager
Marlene Street Forrest's mandate as General Manager of the Jamaica Stock Exchange, is to continue the process of developing the Exchange, ensuring that cutting edge technology is used to assist in providing the greatest level of efficiencies in the market. Mrs. Street Forrest who is a Justice of the Peace, serves as Secretary of the Board of the JSE and a Director of the Jamaica Central Securities Depository Ltd.

INDEPENDENT MEMBERS OF THE JSE's BOARD OF DIRECTORS

Diane Black

Diane Black is the Director Securities Management (Debt Management Unit) in the Ministry of Finance & Planning. In this capacity she has responsibility for all activities related to the registrar and payments functions for government securities and has provided the necessary interface between the Jamaica Stock Exchange and the Government.

Garth Kiddoe

Garth Kiddoe is the Dean of the Faculty of Business and Management at the University of Technology. He is a Fellow of the Institute of Chartered Accounts of Jamaica (ICAJ) and a Director of the Institute of Chartered Accountants of the Caribbean as well as its President. Mr. Kiddoe is the Chairman of the Audit and Finance Committee of the Board of the JSE.

Hilary Phillips, Q.C.

Hilary Phllips, Q.C. is a Partner in the law firm, Grant, Stewart, Phillips & Company, where she has practiced approximately 32 years. She was elevated to the rank of Queen's Counsel in 1998 and has served as President and Vice President of the Jamaican Bar Association. She has served as the Vice President of the Organization of Commonwealth Caribbean Bar Associations since 2003. Miss Phillips is the Chairman of the Conduct Review Committee of the JSE.

Faith Stewart

Faith Stewart is the Division Chief, Payment Systems & Risk Management at the Bank of Jamaica. In this capacity she is responsible for developing and implementing the Bank's Risk Management policy and for modernizing the National Payments System. She was appointed to the Boards of the Jamaica Stock Exchange and the Jamaica Central Securities Depository in 1999 and is the current Chairman of the JSE's Listing & Standards Committee.

JSE BOARD COMMITTEES 2006/2007

LISTING STANDARDS COMMITTEE

Chairman: Mrs. Faith Stewart
Mrs. Rita Humphries Lewin
Mr. Donovan Perkins
Mr. Christopher Williams

AUDIT & FINANCE COMMITTEE

Chairman: Mr. Garth Kiddoe
Miss Hillary Phillips
Miss Dian Black
Mrs. Faith Stewart
Mr. Ed McKie
(or alternate Dr. Derrick McKoy)
Mr. Garfield Sinclair
Miss Caryl Fenton *(Consultant)*

CONDUCT REVIEW COMMITTEE

Chairman: Miss Hilary Phillips
Mrs. Faith Stewart
Miss Dian Black
Mr. Garth Kiddoe
Mr. Jeffrey Hall

NOMINATION COMMITTEE

All Board Members

COMPENSATION COMMITTEE

Chairman: Mr. Curtis Martin
Mr. Garth Kiddoe
Miss Hilary Phillips

CORPORATE GOVERNANCE

Chairman: Mr. Ed McKie
(or alternate Dr. D. McKoy)
Mr. Don Wehby
Mr. Leo Williams
Mr. Garth Kiddoe

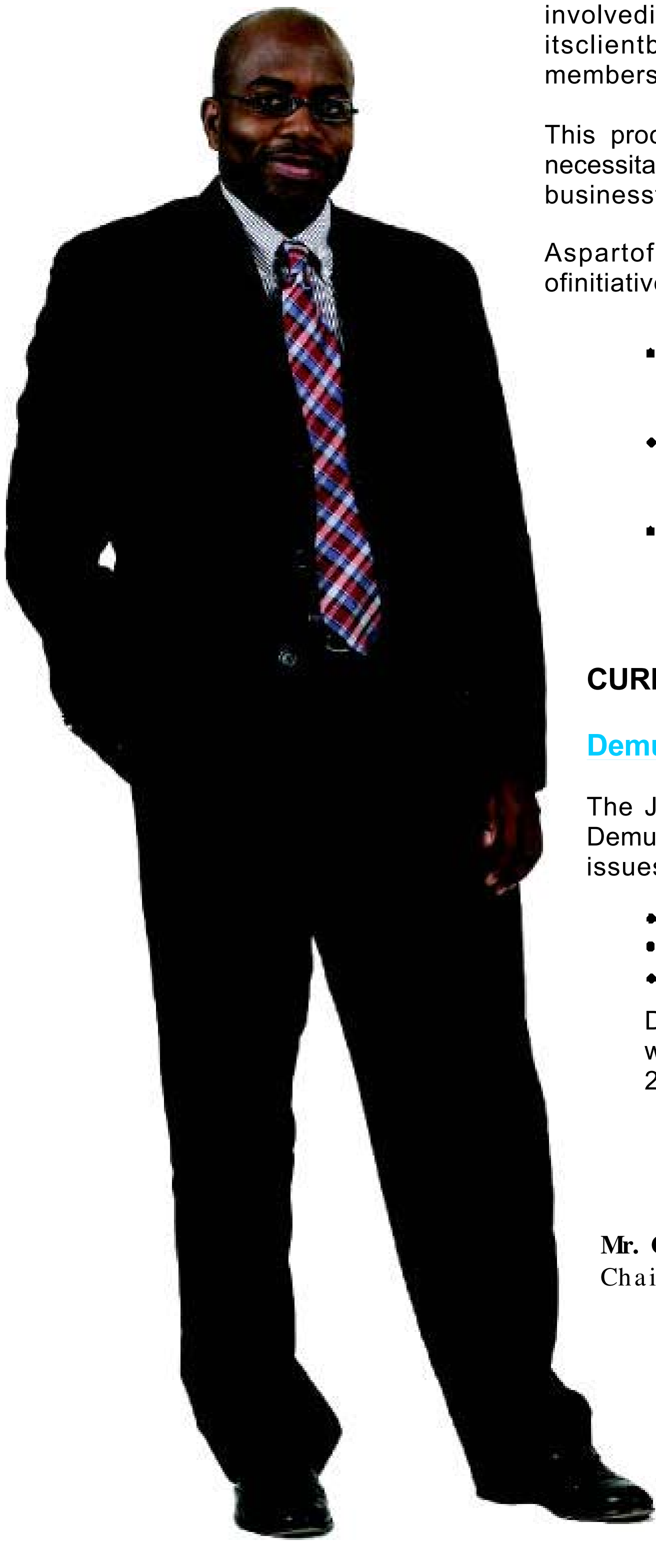
MARKET OVERSIGHT COMMITTEE

Chairman: Mr. Jeffrey Hall
Miss Dian Black
Mrs. Marlene Street Forrest
Mrs. Faith Stewart

REGULATIONS COMMITTEE

Chairman: Mr. Leo Williams
Miss Hilary Phillips
Mr. Donovan Perkins
Mrs. Rita Humphries Lewin
Mr. Edwin McKie

CHAIRMAN'S REPORT



The vision for the JSE in the changing Jamaican environment

Since its inception in 1969, the Jamaica Stock Exchange (JSE) has been involved in a continuous process of re-inventing itself with a view to expanding its client base, while satisfying the changing needs of its existing clients and members in a dynamic financial marketplace.

This process has become even more critical in recent years, and has necessitated the creation of new products to ensure the attraction of new business to the JSE.

As part of our plans for the future of the Exchange, we are pursuing a number of initiatives. They include:

- The establishment of a Business Development Unit to increase the number of listings on the JSE.
- The establishment of a Junior Venture Market, to cater to the needs of companies with a smaller capital base.
- The exploration of Fixed Income and Derivatives Trading options, with a view to enhancing shareholder value and to expanding investor choices.

CURRENT LOCAL ISSUES

Demutualization

The Jamaica Stock Exchange is proceeding apace with its plans for Demutualization. It must be noted however, that there are outstanding issues which have to be resolved this calendar year. These issues include:

- The Monetization of the seats held on the Stock Exchange
- The signing of the Trading Members Agreement
- The implementation of the JSE's new rules

Despite the challenges being experienced in these important areas, we still expect that the listing of the Exchange will become reality in 2008.

Cont'd

Mr. Curtis Martin
Chairman

CHAIRMAN'S REPORT (Cont'd)

The Jamaica Central Securities Depository (JCSD)

In the attempt to ensure that the Jamaica Central Securities Depository continues to be current and relevant, the Jamaica Central Securities Depository has become a member of the Americas' Central Securities Depository Association. This is the leading regional depository Association in this hemisphere, with headquarters in Chile. It is expected that this initiative will result in increased visibility in the international marketplace, and also allow significant opportunities for research, staff development and procedural benchmarking.

The JCSD currently offers custodian services for fixed income securities, and has also formed an alliance with international depositories with regard to the holding of global bonds. The JCSD has made impressive efforts to serve the local market and, more importantly, has made progress in diversifying its service offerings through the provision of Registrar services, an initiative that has been positively received. We hope and expect to expand the offering of these services to the Unit Trust market, as the use of advanced software technology should lead to superior service delivery to our customers.

CURRENT REGIONAL ISSUES

The Regional Market

Three Exchanges have involved themselves in the initial phase of this development: Jamaica, Barbados and Trinidad. All the enabling documents for the Caribbean Exchange Network (CXN), namely, the CXN Member Rules, The CXN Exchange and Depository Agreement, the CXN Settlement Agreement and the CXN Trading Member Agreement, are now variously at the review and approval stages at the Commissions of the respective territories.

Network connectivity has been established and testing is being conducted to ensure efficient and effective trading. Pending final approval by the Regulators, we are in keeping with our target to Go Live in a short while. The network is expected to sharply increase the value of the market by generating renewed interest in equities as an investment option.

Financial Performance

The year ended December 31, 2006 was a very challenging year for the Jamaica Stock Exchange. The main index peaked at 103,750.12 points in January, but declined to 80,414.70 points in July - this was the lowest point of index. There are many factors which led to this decline; however, one of the main contributory factors is the uncertainty in the economy as many pundits were expecting general elections which still has not materialized, therefore the air of uncertainty still continues.

The challenges endured by the Company and its subsidiary are reflected in the consolidated statements. The Company's Operating Income for 2006 amounted to $177.37 million, a decline from the $177.77 million recorded for the previous year. Surplus from Operations declined to $20.8 million, from the $27.7 million achieved in 2005, to yield Net Surplus of $62 million. Net Surplus was recorded as $71.7 million in 2005. Investment income was $33.6 million, down from $43 million in 2005.

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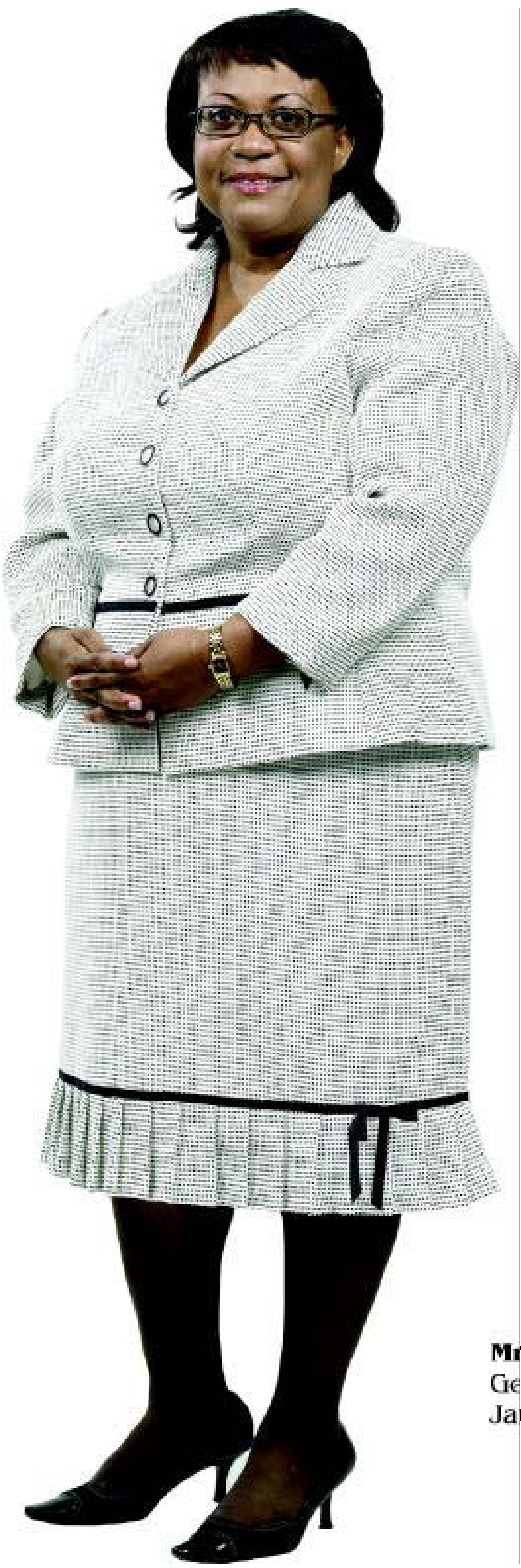
Curtis A. Martin
Chairman
Jamaica Stock Exchange
May 10, 2007

GENERAL MANAGER'S REPORT



The JSE experienced mixed fortunes for the year under review. Despite the downturn in the market we continued to do what we do best, namely to provide a fair, efficient and transparent stock market. Our focus for the year was on ensuring that our internal systems and processes were efficient and current, and that we continued to create programmes that would encourage more persons to invest in the stock market. Consequently, we revamped our accounting system, documented and implemented our security policies and awareness programmes, increasing our efforts at public outreach and started streamlining our business continuity programme.

We are pleased that we have continued to deliver high quality products and services to the market in the year 2006, which saw the start of our new strategic planning exercise that also encompassed activities from the previous period. Our objective in the next five years is to embark with the same level of enthusiasm that was manifested in the achievements of the last five years. We therefore look forward with zeal to providing more education to the public, more penetration of our regional markets through the proposed Regional Caribbean Stock Exchange Network (CXN) and the delivery of even more innovative and dynamic products to the market.

The JSE has a committed team that shares in this vision and understands our mission. We will continue to embrace our brokers, listed companies and the general public as we strive to achieve our corporate objectives including the delivery of excellent service to our internal customers, brokers, the investing public and the community in which we operate.

EXTERNAL FACTORS

The year 2006 saw the market continue the sluggish pace of the previous year. Many factors external to the Exchange influenced the activities in the market, including greater competition in the market for the investor dollar. Investors, although continuing to demonstrate their confidence in the market by adopting a 'hold' position, never-the-less this affected the performance of the market as evidenced by the indices, number of transactions and the volume and value of trades, which showed reduced buoyancy when compared to the previous years. Macro-economics factors also played a role in the market's performance. The indicators showed that interest rates and inflation were reduced in 2006 and the foreign exchange rate was fairly stable in declining by only 4% from U$1:J$64.58 at the beginning of the year to U$1:J$67.15 at the close of 2006. This is contrasted against negative indicators such as increased Government debt and only marginal economic growth of 2.5% for the year. This combination of both did nothing to inspire greater market activity.

Cont'd

Mrs. Marlene Street Forrest
General Manager,
Jamaica Stock Exchange

GENERAL MANAGER'S REPORT (Cont'd)

MARKET ACTIVITIES

Duringtheyear,somecompaniesrecordedpositiveperformancewhileotherspostednegativeresults.TheresultoftheJSE mainindexwasheavilyinfluencedbythecross-listedstocksanddeclinedwhencomparedagainstthepreviousyear.TheAll JamaicaCompositeandtheJSESelecthoweverhadpositivegains.

Asdemonstratedinthetablebelow,TheJSEclosedtheyearat100,677.99pointsdecliningby3,832.4pointsor3.7%below 2005'sclosingindex.TheAllJamaicaCompositeIndexadvancedby2271.8pointsor2.2%toclosetheyearat97,652.8points and the JSE Select advanced by 83.26 points or 2.9% to close the year at 2,859.62 points. Market Capitalization as at December31,2006was$822billioncomparedto$839billion,adecreaseof$17billion.

Overthe252tradingdays,41,822transactionscrossedthflooroftheExchange.Thisrepresentsasignificantdeclineinthe numberoftransactionswhencomparedtothepreviousyear'stransactionsof74,962. Thetotalvolumeofordinaryshares tradedinthesetransactionsincreasedby1billionoverthepreviousyearto2.9billionunits,buttradevaluedecreasedby$7 billionmainlyduetodecliningprices.

A summarized market status of activities for the 12 months 2006 vs. 12 months 2005

Particulars	2006	2005	% variance
JSEsMain Index	100,677.99	104,510.38	- 3.67
JMComposite	107,213.42	104,941.62	9.79
SelectIndex	2,942.88	2,859.62	9.17
Avg.Daily Trans.	167	299	- 43.77
TotalNo.of Transactions	41,822	74,962	- 44.20
Volume	2.9 billion	1.9billion	52.63
Value	$19.5 billion	$26.5billion	- 26.4
Market Capitalization	$822 billion	$839 billion	- 2.03

Top Ten WinnersandLosers (2006)

WINNERS	%	LOSERS	%
SaladaFoods	299.60	DyollGroupLimited	(51.35)
Pegasus Hotel	54.44	Mobay IceCompany	(42.96)
Carreras Group	50.00	PalaceAmusement	(40.32)
First CaribbeanInt.Bank(Ja)	44.36	Guardian HoldingsLimited	(33.33)
Kingston Wharves	32.33	Cable&Wireless(Jamaica)	(31.76)
NationalCommercialBankJa.	27.84	GraceKennedyLimited	(27.39)
JamaicaProducers Group	27.21	Goodyear(Jamaica)	(23.63)
DehringBunting&Golding	24.44	GleanerCompany	(23.46)
JamaicaBroilersGroup	22.25	Ciboney	(22.22)
LascellesdeMercado	20.66	TrinidadCementLimited	(19.52)

CORPORATE ACTIONS/LISTED COMPANIES

TheJSE'sefforttoattractnewcompanieswasmoderatelysuccessfulasthreecompanieslistedduringtheyear,while several others have signalledtheirintentiontolistbutindicatedthattheyarewaitingonthemarkettorebound.SupremeVentures listed itsOrdinarySharesonFebruary28.Pulse,acompanythatwaspreviouslylisted, but was de-listed,againlistedits Ordinary Shares onJune9whileNCBCapitalMarketslisteditsPreferenceSharesonSeptember22topositiveresponse.

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GENERAL MANAGER'S REPORT (Cont'd)

The JSE began 2006 with 41 listed companies and ended with 44 companies. Twenty-Six (26) of these companies paid dividends in 2006, eight (8) fewer than the previous year, which can be attributed to the financial results of some of the companies.

JSE CORPORATE ACTIVITIES TOWARD MARKET DEVELOPMENT

The continued development of the market is critical to the operations of the Exchange. Based on our objective to ensure that we meet or exceed our stakeholders' requirements, during 2006 the Exchange developed educational products, rules and services capable of responding to the varied composites of the market's operations. Some areas of concentration were aimed:

Towards Improved Services

- Expansion of the company's electronic database facility to include company monthly trading reports;
- Streamline the submission process for listed companies including share register filing with the Exchange;
- Upgraded and enhanced the computer systems, network and security infrastructure which encompassed implementing a proximity card ID and security system, improved network cable infrastructure and improved data services to clients;
- Enhanced the website including online event registration, a regional quotes page and online statement access;
- Enhanced the Initial Public Offerings (IPO) System Application for Registrar Services;
- Staff Training.

Towards Market Regulations

- Implemented new processes to advance market surveillance activities;
- Drafted and Adapted five (5) new rules or changes mainly in respect to ensuring greater corporate governance;
- Stepped up broker supervision programme to include on-site examinations.

Towards Market Education

- Launched the JSE Summer School Public Education Programme designed for students at the primary level;
- Facilitated tours by numerous high schools;
- Continued training programmes for brokerages and the general public.

Towards Product Development

- Developed operational structure for implementation of a Fixed Income Depository (software development discontinued in last quarter);
- Undertook the testing of the Fixed Income Trading in Horizon;
- Continued the development of Registrar Services software, with a view to offering services to unit trusts and mutual funds;
- Performed significant work on the operational procedures, rules, structure and software compatibility with the Barbados and T&T Stock Exchanges and Depositories in laying the groundwork for the formation of the CXN;
- Marketed Website, On-line account monitoring and Desktop Stock Tickers.

THE JAMAICA CENTRAL SECURITIES DEPOSITORY (JCSD)

2006 was a year of many changes for the JCSD including moving into a new building in January, having a new General Manager appointed in April, joining the regional Americas Central Securities Depository Association in May and continued, then halted the development of software for the proposed fixed income depository in October. Due mainly to the bearish nature of the market for most of the year the number of accounts only increased by 3.7% from 79,383 at the start of the year to 82,359 at the end of 2006. The Registrar Services Department was successful however, in increasing its client base from 2 to 5 companies during the year and in continuing to develop its service capabilities.

INTERNAL AUDIT

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

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GENERAL MANAGER'S REPORT (Cont'd))

The Audit Department came into its own in 2006 and conducted comprehensive reviews of JSE internal policies and procedures under the direction of the Audit & Finance Committee of the JSE Board. Internal audits were also done of each department's activities. Special and general examinations of most of the brokerages were conducted and follow up reviews were done in cases where corrective actions were necessary.

PROFITABILITY

The JSE and the JCSD Consolidated Net Operating Income of $8 million shows a significant decline of $106.0M over the previous year. This is due primarily to the write-off of $128.7M in the books of the JCSD, as a result of the decision taken to halt the development of software for the Fixed Income Depository in the last quarter of 2006. Overall income from Operations of $253.6M and Investments of $40.9M were lower than the previous year by 4.31% and 15.74% respectively.

CORPORATE AFFAIRS

As part of our effort towards contributing to the country's development, the JSE continues to participate in assisting nearby community projects and provide assistance to civic organizations and tertiary institutions in the form of scholarships, grants and donations to charitable organizations. We have also adopted the Denham Town Golden Age Home.

FORECAST

We do not expect that there will be a significant and sudden upturn in the market; therefore we are of the view that our operating income will continue to grow slowly and that we will have to tightly reign in our expenditure. While the Exchange continues to look internally for opportunities, our outlook will also be regional and international. To this end, we intend to move towards forming alliances, which will foster the growth and development of our market.

The ensuing year can be seen as one where the Exchange will concentrate on more product development, positioning and income diversification. Many projects that have started in the year under review will be completed in 2007 while others may only be completed in 2008. 'Go live' on some of these products will require the approval of regulatory authorities and the Exchange is working with all stakeholders to ensure that the investing public will have a variety of investment opportunities from which to choose. Market education will continue to be a major area of concentration as we develop the services for persons who will be able to appreciate and utilize them.

We are also committed to completing the demutualization process, which will enable the Exchange to realize its objectives of allowing the Company greater transparency and flexibility in carrying out its regulatory responsibilities while at the same time unlocking shareholders' value.

I wish to express my sincere appreciation for the tremendous assistance that the management and staff of the Exchange has received from both Boards of Directors, the civil society and the media in helping us to shape and assisting us to realize our objectives to this point. Special thanks must go to the members of our several Committees, who are external to the operations of the Exchange but who so willingly gave of their time and talent.

Marlene J. Street Forrest

Marlene J. Street Forrest
May 16, 2007

Jamaica Stock Exchange Regulatory Functions

Wentworth Graham, Assistant GM, Market Operations & Trading.

In 2006 the JSE continued to advance its regulatory oversight to fully satisfy the dynamic conditions of the market. The company undertook a number of programmes which resulted in the strengthening of its regulatory system. These changes were like a watershed for the JSE, and have created an indelible impact on the structure of the company and the operations of the market.

One of the regulatory functions that the JSE introduced in the year was the inspection of broker-members. Traditionally, broker-member inspection was done by an external auditor. During the year the company restructured its operations and assigned the broker-member inspection responsibilities to internal officers. The new broker-member inspection programme is all encompassing and captures critical areas such as record keeping, trading operations, financial and operational compliance. It is important to note that because our internal officers are fully conversant with the regulations and operations of the market they were able to apply a higher level of scrutiny in the broker-inspection exercise. We are happy to report that all broker-members were compliant with the standards of the Exchange.

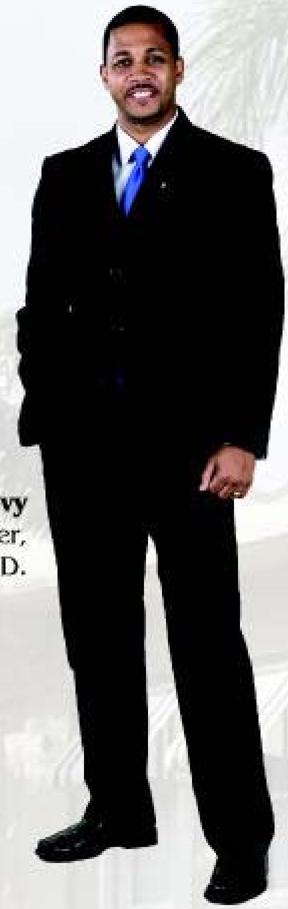
Another regulatory area that was magnified by the JSE was market surveillance. There are two elements in the company's market surveillance operations. First, there is a trading activity monitoring aspect. Generally, trading activities are judged against market infraction guidelines such as: Marking the Close, Front Running, Wash Sale, Insider Trading and Manipulative Trading. Notwithstanding the JSE's use of manual system in identifying market infractions, it was able to implement a market surveillance operation from guidelines in its surveillance manual. As the JSE continues its drive to promote transparency and participation in the market there will be an inevitable need to transform its market surveillance operations to an automated system. It should be added, however, that the technological limitations did not inhibit the monitoring thrust. As such, in 2006 the Exchange had instances where Listed Companies were asked to furnish additional market information, and broker-members were asked to clarify trading patterns.

The second element involves Listed Companies compliance to rules of the Exchange. There were three significant rule developments in 2006. Rule 407 was revised, giving Listed Companies an option to submit their Audited Report in 90 days or 60 days of their financial year end. During the year, of the forty-four (44) listed companies, fourteen (14) companies opted to submit their audited statements within 60 days of the financial year end. Listed Companies are required to advise the Exchange and the market of their option, and as such, the Exchange implemented a monitoring system ensuring that there was full compliance to Rule 407. The Listing Agreement (Appendix 3) was revised. Under the new agreement Listed Companies are required to disclose their Audit Committee in their Annual Report. Thirteen companies filed their Annual Report in 2006. All, except one, complied with new requirement in the Listing Agreement. Rule 413 was created to allow for shares buy-back by Listed Companies. These new rules required the development and implementation of monitoring systems to ensure full compliance. These monitoring systems complemented other systems that oversee financial statements submission, and trading activities by directors and executives. We can safely report that generally all Listed Companies have been meeting the standards of the Exchange. It should be added, that, some members of the investing public have acknowledged and applauded the compliance standards of the Listed Companies.

The JSE is resolute in initiating and responding to the dictates of the market. In this regard, it intends to treat its regulatory functions with agility and fluidity to satisfy market changes and to fulfill its objectives. It is our intention to utilize the requisite resources to ensure that there is the advancement of critical operations that will further mold the regulatory functions of the organization, and ultimately strengthening our market.

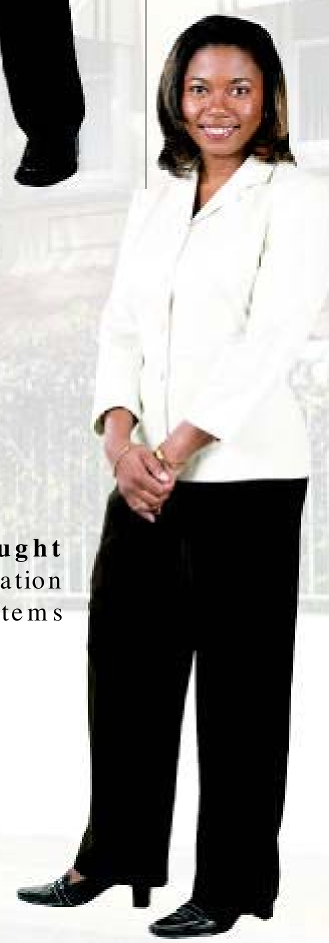
THE MANAGEMENT TEAM

Mrs. Marlene Street Forrest
General Manager,
Jamaica Stock Exchange



Mr. Robin Levy
General Manager,
J.C.S.D.

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



Ms. Suzette McNaught
Manager, Information
Technology & Systems

JAMAICA STOCK EXCHANGE

JSE CORPORATE HIGHLIGHTS 2006

JSE CORPORATE HIGHLIGHTS 2006

Corporate Philanthropy
Market Education and Citizenship

The JSE has had a long and established tradition to provide outreach programmes geared towards assistance of individuals, communities and organizations. Through scholarships, schoolprogrammesandcorporateoutreachwehavetouchedmanylives.

The JSE inaugural Regional Conference on “Investment and the CapitalMarket” organized to facilitateRegionaldialogueonspecificissuesaffectingthegrowthoftheregionalcapitalmarkets wasaresounding success.

WELL MET: Executive Chairman of GraceKennedy & Company Ltd. Mr. Douglas Orane (second left) greets Prime Minister the Most Hon. P.J. PattersonattheOpeningBanquetof theJSE-ledRegionalConferenceon Investments & The Capital Markets 2006 attheHalfMoonRoseHallon January 17, 2006. Looking on (l-r) are: Ms. Camille Facey, Corporate SecretaryofCable&Wireless (Ja.) Ltd.and Mrs. Marlene Street Forrest, General Manager, Jamaica StockExchange.ThePrimeMinister openedtheconference.

Wecontinuetorespondtotheneedsof youngpeople,byeducatingthemforfuture participationinourmarket.

WestwoodHighSchoolstudentsontheirvisittotheStockExchangetoparticipateintheJSE'sSchoolsOutreachProgram. TheJSEbelievesinpreparingtheyouthsforthefuture.

JSE CORPORATE HIGHLIGHTS 2006

Supplying Future Leaders

The JSE through UTECH and UWI continues to provide scholarship to students in the field of business. Increasing the cadre of trained individuals is important to the development of our market.

PatriceLevy:Winnerof the JSE Scholarship for 2006 Patrice,perusedherDegreeattheUniversityofTechnology (Utech) inAccountswith a minor InInternationalBusiness; weattheStockExchangeareproudwehavefacilitatedher.

AndreWilliamsistherecipientoftheJSE's2006Scholarship. Andre is majoring in Management Studies with a Minor in Accounting.WeareconfidentAndrewillexcel.

Our Charity

TheDenham Town Golden Age Home located in our community continues to receive support fromtheJSEandmembersofstaff.

Winners of the JSE Best Practices Awards

DB&G coppedtheGovernorGeneral'sAwardforExcellence. Thisawardwasintroducedin 2006 and is awardedtothecompanywhoemergeswiththeoverallhighestnumberofpoints.

The winners for eachcategoryare listedbelow:

Best PracticesAnnual Report:

BNS(Ja.)&GraceKennedyLtd. -Overall Winner
DB&G - SecondPlaceWinner
RBTT -Commendation

Best Practices CorporateDisclosure

GraceKennedyLtd.
OverallWinner

The BankofNovaScotia(Ja.)Ltd.
SecondPlaceWinner

NationalCommercial BankLtd.
Commendation

Best Performing Company

DehringBunting & GoldingLtd.
OverallWinner

Desnoes&GeddesLtd.
SecondPlaceWinner

LifeofJamaica
Commendation

Best PracticesInvestor Relations

First GlobalFinancialServicesLtd.
OverallWinner

Barita Investments Ltd.
SecondPlaceWinner

Best PracticesInvestor Relations (Cont'd)

JMMB SecuritiesLtd.
Commendation

Best Practices(WEBSITE) Listed Company

First CaribbeanInternationalBank (Ja.)
OverallWinner

DehringBunting & GoldingLtd.
SecondPlaceWinner

Capital&CreditMerchantBank
Commendation

Best Practices (WEBSITE) Brokerage

JMMB SecuritiesLtd.
OverallWinner

DehringBunting & GoldingLtd.
SecondPlaceWinner

NCBCapitalMarkets Ltd.
Commendation

(Seephotosonoverleaf)

JSE CORPORATE HIGHLIGHTS 2006

Well done: Governor General Sir Kenneth Hall seems to be saying to Mr. Vernon James as DB&G walk away with the Governor General's Awards for Excellence.

Mrs. Karen Chin Quee Akin (Right), Corporate Secretary of GraceKennedy Ltd. accepts the first place award in the category of corporate Disclosure and Investor Relations from Mr. Vernon Davidson, Executive Editor-Publications, Jamaica Observer

Ms. Donna Doran (right), Financial Controller of D&G accepts the first place award in the category of Best Performing Company from her Excellency Mrs. Rheima Hall.

Mr. Ed McKie, Board Member of the Jamaica Stock Exchange (centre) smiles his congratulations to Mr. Mark Anderson, Treasury Manager, GraceKennedy Ltd. (left) and Mr. David Noel, Corporate Secretary, Bank of Nova Scotia (Ja.). Both companies tied for first place in the category of Best Practices Annual Report in the JSE Best Practices Awards (2005) held at the Hilton Kingston Hotel on December 6, 2006.

MARKET RESEARCH COMPETITION

A pleased Johann Heaven analyst of the year (2006) in the JSE's Market Research Competition received his prize from Mrs. Rosalee Deans Senior VP and Chief Technology Officer of Capital & Credit Group Ltd.

Keisha Bennett, Financial Analyst of Dehring Bunting & Golding (right) is the Third Quarter Winner of the JSE's Analyst of the Year Competition. Here, Mrs. Marlene Street Forrest, General Manager of the Jamaica Stock Exchange presents her with her cheque.

MEMBERS OF THE JSE MARKET RESEARCH COMMITTEE: (r-l): Noel Reynolds; Brian Langrin; Claremont Kirton; Hopeton Morrison; Robin Levy; Neville Ellis of the JSE's Marketing Department. Harry Abrikian (left) is the Committee's Chairman

STOCK MARKET ANALYST WINNER: Johann Heaven, Assistant Vice President for Financial Planning & Analysis, Dehring, Bunting & Golding and first quarter winner of the Jamaica Stock Exchange's Analyst of the Year Competition, (right) receives his cheque for $15,000 from Dr. Brian Langrin, Director, Financial Stability (Research & Economic Programming Division) Bank of Jamaica. The presentation was made on May 29, 2006 at the offices of the Jamaica Stock Exchange. Dr. Langrin is a member of the eight-member Committee judging the competition. Johann's analysis was of the performance of Cable & Wireless (Ja.).

THE JSE NET WORKS

WELL MET: Governor General Sir Kenneth Hall (centre) smiles broadly as he receives a gift from General Manager of the Jamaica Stock Exchange Mrs. Marlene Street Forrest (right) and JSE's former CEO Roy Johnson. The occasion was a courtesy call on the GG to brief him about the developments on the local regional stock markets.

Mrs. Marlene Street Forrest, General Manager of the Jamaica Stock Exchange (centre) presents a token to Leader of the Opposition, Jamaica Labour Party Mr. Bruce Golding (second right) on the occasion of a visit by JSE's representatives on Mr. Golding. Other JSE representatives are (l-r): JSE Chairman Mr. Curtis Martin and Roy Johnson, JSE's former CEO. At right is the JLP's Spokesman on Finance, Mr. Audley Shaw. The occasion was a courtesy call by representatives of the Jamaica Stock Exchange on Mr. Golding on July 11, 2006 at the Party's Headquarters.

VISIT TO US EMBASSY: The United States Ambassador to Jamaica, Brenda LaGrange Johnson, (centre) takes a peek into a book presented to her by Jamaica Stock Exchange's General Manager, Mrs. Marlene Street Forrest (left) and former CEO, Mr. Roy Johnson on Tuesday, June 6, 2006. The occasion was a visit by the JSE's representatives to the US Embassy to brief the Ambassador about developments on the local stock market. The JSE's representatives have also invited the Ambassador to tour its facilities, including the new offices of the Jamaica Central Securities Depository.

LISTING CEREMONY

LISTED AT LAST: Mr. Christopher Williams (second right) Managing Director of NCB Capital Markets, smiles as he inserts the strip to list the Preference Shares of NCB Capital Markets 11.75% (September 22) at a listing ceremony at the Jamaica Stock Exchange. Others from left are: Mr. Roy Johnson, former CEO of the JSE; Mr. Patrick Hylton, Managing Director of National Commercial Bank and Mrs. Street Forrest, General Manager of the JSE.

MEMBERS OF SUPREME VENTURES LTD. BOARD OF DIRECTORS place the company's slip on the JSE Board on February 28, 2006 when the company was listed. From (l-r): Paul Hoo, Chairman, SVL; Ian Kent Levy, Deputy Chairman and Brian George, President & CEO.

PULSE LISTING: Founder and CEO of Pulse Investments Ltd. (PIL) Kingsley Cooper (centre) places the strip to list PIL on Friday June 9, 2006 on the Jamaica Stock Exchange. The company was listed on the Jamaica Stock Exchange in 1994 and was de-listed on May 18, 2001 as a result of the late submission of audited accounts to the Jamaica Stock Exchange. On Friday, 253,670,362 million ordinary shares were listed at a price of $2.30 each. Others from right are: Ms. Hilary Phillips Q.C., co-founder of PIL and Mrs. Marlene Street Forrest, General Manager, Jamaica Stock Exchange. At left are some of the tops models that PIL represents.

The Jamaica Stock Exchange is pleased to unveil the new home of its subsidiary, The Jamaica Central Securities Depository (JCSD).

FINANCIAL & STATISTICAL HIGHLIGHTS

	2006	2005	2004	2003	2002	2001	2000	1999
Revenue ($)	294,515,000	^313,590,000	219,395,000	160,997,000	76,612,000	55,116,000	47,325,000	51,132,000
Expenses ($)	323,349,000	^180,099,000	135,495,000	101,215,000	70,585,000	57,496,000	52,898,000	52,528,000
Income Before Taxes ($)	∅ -28,834,000	133,491,000	83,900,000	59,781,000	5,025,000	-2,380,000	-9,573,000	-1,396,000
Net Income After Tax	8,213,000	114,213,000	109,001,000	77,313,000	25,753,000	21,996,000	17,023,000	5,351,000
Compensation Fund ($)	434,686,000	404,253,000	378,839,000	331,517,000	280,604,000	253,953,000	218,167,000	190,516,000
Members' Equity	465,872,000	484,043,000	403,770,000	287,029,000	244,717,000	241,474,000	191,156,000	200,153,000
Reported Share Volume (Millions)* (Units)	5,639.39	2,498.03	5,194.56	4,290.43	1,604.59	2,845.20	694.90	520.531
Daily Average Share Volume (Millions) (Units)	22.55	9.91	20.45	17.09	6.39	11.43	3.49	2.602
Reported Dollar Value (Millions)* ($)	37,041	40,747	35,994.85	24,237.33	7,636.88	5,948.35	3,441.08	2,218.71
Daily Average Dollar Value (Millions) ($)	148.16	161.59	141.71	96.53	30.43	23.89	17.39	11.093
JSE Market Index as at December 31	100,678	104,510	112,655.51	67,586.72	45,396.21	33,835.59	28,393.24	21,892.58
Member Organizations	11	11	11	10	10	10	6	6
New Listed Companies/Securities	3	1	Nil	2	Nil	1	5	1
Total Listed Companies*	44	41	40	41	40	42	44	45
Total Shares Listed (Billions)	49.23	46.19	42.28	41.88	35.77	33.19	29.49	23.04
Market Capitalization as at December 31 (Billions) ($)	822.86	839.35	879.30	512.88	292.3	222.0	160.14	104.04

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

^ Restated

∅ Loss due to Exceptional Item-Write off of Fixed Income Development ($128.7M).

JAMAICA STOCK EXCHANGE

AND ITS SUBSIDIARY

AUDITORS' REPORT & FINANCIAL STATEMENTS

Deloitte.

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Montego Bay Jamaica, W.I.
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To the members of

THE JAMAICA STOCK EXCHANGE LIMITED

Report on the financial statements

We have audited the financial statements of The Jamaica Stock Exchange Limited (the Company), set out on pages 32 to 73, which comprise the Group and the Company's balance sheets as at December 31, 2006, and the Group and the Company's income and expenditure account, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements, present fairly, in all material respects, the financial position of the Group and the Company as at December 31, 2006, the Group's and the Company's financial performance, and the cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Companies Act of Jamaica

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

Deloitte & Touche
Chartered Accountants
Kingston, Jamaica, March 14, 2007

A member firm of
Deloitte Touche Tohmatsu

Carey O. Metz, Audley L. Gordon, Winston G. Robinson, Fagan E. Calvert, Gihan C. de Mel.
Consultants: T. Sydney Fernando, Donald S. Reynolds.

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2006

	Notes	2006 $000	Restated 2005 $000
ASSETS			
Non-current assets			
Property, plant and equipment	5	91,646	75,695
Intangible assets	6	15,074	86,843
Investments in securities:			
Compensation Fund	8(a)	135,146	179,717
Other	8(b)	185,547	198,745
Long-term receivable	9	5,701	3,648
Post employment benefits	10	45,228	26,451
Total non-current assets		478,342	571,099
Current assets			
Income tax recoverable		1,767	-
Trade and other receivables	11	31,384	45,843
Investments in securities:			
Compensation Fund	8(a)	299,540	224,536
Other	8(b)	115,417	104,686
Cash and bank deposits	12	41,497	23,356
Total current assets		489,605	398,421
Total assets		967,947	969,520
EQUITY AND LIABILITIES			
Shareholders Equity			
Share capital	13	113,590	550
Reserves:			
Share premium		-	8,040
Capital reserve	14	-	104,900
Capital redemption reserve fund		-	100
Fair value reserve	15	(2,554)	(3,348)
Contingency reserve	16	414,339	384,980
Revenue reserve:			
Income and expenditure account	17	354,836	373,801
Total equity		880,211	869,023
Non-current liabilities			
Long-term liabilities	18	4,958	10,112
Deferred tax liabilities	19	19,456	42,207
Total non-current liabilities		24,414	52,319
Current liabilities			
Accounts payable	20	63,272	38,352
Income tax payable		-	9,826
Bank overdraft		50	-
Total current liabilities		63,322	48,178
Total equity and liabilities		967,947	969,520

The notes on Pages 40 to 73 form an integral part of the financial statements.

The financial statements on Pages 32 to 73 were approved and authorized for issue by the Board of Directors on March 14, 2007 and are signed on its behalf by:

Garth Kiddoe
....
Director

....
Director

	Notes	2006 $'000	Restated 2005 $'000
Income			
Cess		113,539	119,649
Fee income		109,595	113,855
Other operating income	21(a)	30,491	31,552
		253,625	265,056
Expenses			
Staff costs		76,179	71,661
Property expenses		25,539	21,640
Depreciation and amortization		17,277	10,596
Advertising and promotion		19,689	10,716
Professional fees		5,772	6,805
Securities commission fees		31,749	34,739
Allowance for irrecoverable debts		1,888	-
Demutualization costs		139	10,500
Impairment of investment	21(d)	1,317	-
Other operating expenses		12,698	12,458
		192,247	179,115
SURPLUS FROM OPERATIONS		61,378	85,941
Investment income	21(b)	40,890	48,534
Compensation Fund income (net)	21(c)	39,866	43,375
Finance cost	21(d)	(2,394)	(984)
Other gains and losses	6,22	(128,708)	-
SURPLUS BEFORE TAXATION	21(d)	11,032	176,866
Taxation	23	(2,819)	(62,653)
NET SURPLUS	24	8,213	114,213

ThenotesonPages40to73formanintegralpartofthefinancialstatements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2006

	Notes	Share Capital $'000	Share Premium $'000	Capital Reserve $'000	Capital Redemption Reserve Fund $'000	Fair Value Reserve $'000	Contingency Reserve $'000	Revenue Reserve $'000	Total $'000
Balance at January 1, 2005		2	8,040	104,900	100	1,682	356,349	289,046	760,119
Fair value adjustment on disposal		-	-	-	-	(2,364)	(825)	-	(3,189)
Deferred tax adjustment on disposal		-	-	-	-	788	275	-	1,063
Fair value adjustment for year on available-for-sale securities		-	-	-	-	(5,181)	406	-	(4,775)
Deferred tax on fair value adjustment		-	-	-	-	1,727	(135)	-	1,592
Net expenses recognized directly in equity		-	-	-	-	(5,030)	(279)	-	(5,309)
Net surplus for the year		-	-	-	-	-	-	114,213	114,213
Total recognized income and expenditure for the year		-	-	-	-	(5,030)	(279)	114,213	108,904
Issue of shares	13	548	-	-	-	-	-	(548)	-
Appropriation from income and expenditure account to contingency reserve	16	-	-	-	-	-	28,910	(28,910)	-
Balance at January 1, 2006		550	8,040	104,900	100	(3,348)	384,980	373,801	869,023
Fair value adjustment on available-for-sale securities		-	-	-	-	1,192	3,271	-	4,463
Deferred tax on fair value adjustment		-	-	-	-	(398)	(1,090)	-	(1,488)
Net income recognized directly in equity		-	-	-	-	794	2,181	-	2,975
Net surplus for the year		-	-	-	-	-	-	8,213	8,213
Total recognized income for the year		-	-	-	-	794	2,181	8,213	11,188
Transfer to share capital	13(a)	113,040	(8,040)	(104,900)	(100)	-	-	-	-
Appropriation from income and expenditure account to contingency reserve	16	-	-	-	-	-	27,178	(27,178)	-
Balance at December 31, 2006		113,590	-	-	-	(2,554)	414,339	354,836	880,211

The notes on Pages 40 to 73 form an integral part of the financial statements.

CONSOLIDATEDSTATEMENTOFCASHFLOWS
YEARENDEDDECEMBER31,2006

	2006 $'000	Restated 2005 $'000
OPERATING ACTIVITIES		
Net surplus	8,213	114,213
Adjustments for:		
Depreciation of property, plant and equipment	10,917	6,777
Amortisation of intangible assets	6,360	3,818
Write-off of intangible assets	128,708	-
Impairment of investment	2,634	-
Loss (gain) on disposal of property, plant and equipment	339	(45)
Unrealised foreign exchange gains on investments	(5,456)	(5,339)
Post employment benefit credit	(16,467)	(8,824)
Gain on disposal of available-for-sale investment	-	(3,189)
Income tax expense	2,819	62,653
Interest income	(84,169)	(89,504)
Interest expense	2,394	984
Operating cash flows before movements in working capital	56,292	81,544
Decrease (Increase) in trade and other receivables	10,888	(9,497)
Increase in accounts payable	26,856	14,758
Post employment benefit contributions	(2,310)	(1,641)
Cash generated from operations	91,726	85,164
Income tax paid	(38,651)	(43,628)
Interest paid	(2,394)	(984)
Cash provided by operating activities	50,681	40,552
INVESTING ACTIVITIES		
Acquisition of investments in securities (net)		
Compensation Fund	(26,325)	(21,959)
Other	3,537	(19,522)
Acquisition of property, plant and equipment	(27,407)	(28,796)
Acquisition of intangible assets	(63,299)	(56,391)
Proceeds on disposal of property, plant and equipment	200	51
Long-term receivables	(2,053)	(2,784)
Interest received	89,847	87,540
Cash used in investing activities	(25,500)	(41,861)
FINANCING ACTIVITIES		
Long-term liabilities (net)	(7,090)	9,589
Cash (used in) provided by financing activities	(7,090)	9,589
NET INCREASE IN CASH AND BANK BALANCES	18,091	8,280
OPENING CASH AND BANK BALANCES	23,356	15,076
CLOSING CASH AND BANK BALANCES	41,447	23,356
Comprising:		
Cash and bank deposits	41,497	23,356
Bank overdraft	(50)	-
	41,447	23,356

ThenotesonPages40to73formanintegralpartofthefinancialstatements.

BALANCE SHEET
AT DECEMBER 31, 2006

	Notes	2006 $000	Restated 2005 $000
ASSETS			
Non-current assets			
Property, plant and equipment	5	82,694	73,024
Intangible assets	6	12,002	15,339
Investment in subsidiary	7	116,493	108,403
Investments in securities			
Compensation Fund	8(a)	135,146	179,717
Other	8(b)	166,647	177,744
Long-term receivable	9	4,548	3,648
Post employment benefits	10	36,183	21,161
Total non-current assets		553,713	579,036
Current assets			
Trade and other receivables	11	21,247	33,956
Investments in securities			
Compensation Fund	8(a)	299,540	224,536
Other	8(b)	77,973	68,489
Cash and bank deposits	12	40,568	15,573
Total current assets		439,328	342,554
Total assets		993,041	921,590
EQUITY AND LIABILITIES			
Shareholders Equity			
Share capital	13	113,590	550
Reserves:			
Share premium		-	8,040
Capital reserve	14	-	104,900
Capital redemption reserve fund		-	100
Fair value reserve	15	(1,486)	(1,880)
Contingency reserve	16	414,339	384,980
Revenue reserve:			
Income and expenditure account		381,784	346,862
Total shareholders equity		908,227	843,552
Non-current liabilities			
Long-term liabilities	18	4,958	10,112
Deferred tax liabilities	19	39,092	35,083
Total non-current liabilities		44,050	45,195
Current liabilities			
Accounts payables	20	38,343	27,484
Income tax payable		2,371	5,359
Bank overdraft		50	-
Total current liabilities		40,764	32,843
Total equity and liabilities		993,041	921,590

The notes on Pages 40 to 73 form an integral part of the financial statements.

The financial statements on Pages 32 to 73 were approved and authorized for issue by the Board of Directors on March 14, 2007 and are signed on its behalf by:

Garth Kiddoe

.... Director

.... Director

	Notes	2006 $'000	Restated 2005 $'000
Income			
Cess		113,539	119,649
Fee income		33,719	26,584
Other operating income	21(a)	30,114	31,544
		177,372	177,777
Expenses			
Staff costs		59,114	57,288
Property expenses		21,741	19,066
Depreciation and amortization		14,672	9,348
Advertising and promotion		19,331	10,397
Professional fees		4,383	6,286
Securities commission fees		30,113	32,597
Allowance for irrecoverable debts		1,532	-
Demutualization costs		139	10,500
Impairment of investment	21(d)	1,317	-
Other operating expenses		4,195	4,603
		156,537	150,085
SURPLUS FROM OPERATIONS		20,835	27,692
Investment income	21(b)	33,572	42,905
Compensation Fund income (net)	21(c)	39,866	43,375
Finance cost	21(d)	(2,394)	(984)
SURPLUS BEFORE TAXATION	21(d)	91,879	112,988
Taxation	23	(29,779)	(41,242)
SURPLUS FOR THE YEAR	24	62,100	71,746

The notes on Pages 40 to 73 form an integral part of the financial statements.

JAMAICA STOCK EXCHANGE

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2006

	Notes	Share Capital $'000	Share Premium $'000	Capital Reserve $'000	Capital Redemption Reserve Fund $'000	Fair Value Reserve $'000	Contingency Reserve $'000	Revenue Reserve $'000	Total $'000
Balance at January 1, 2005		2	8,040	104,900	100	1,682	356,349	304,574	775,647
Fair value adjustment on disposal		-	-	-	-	(2,364)	(825)	-	(3,189)
Deferred tax adjustment on disposal		-	-	-	-	788	275	-	1,063
Fair value adjustment for year on available for sale securities		-	-	-	-	(2,979)	406	-	(2,573)
Deferred tax on fair value adjustment		-	-	-	-	993	(135)	-	858
Net expenses recognized directly in equity		-	-	-	-	(3,562)	(279)	-	(3,841)
Net surplus for the year		-	-	-	-	-	-	71,746	71,746
Total recognized income and expenditure for the year		-	-	-	-	(3,562)	(279)	71,746	67,905
Issue of shares	13	548	-	-	-	-	-	(548)	-
Appropriation from income and expenditure account to contingency reserve fund	16	-	-	-	-	-	28,910	(28,910)	-
Balance at January 1, 2006		550	8,040	104,900	100	(1,880)	384,980	346,862	843,552
Fair value adjustment on available for sale securities		-	-	-	-	592	3,271	-	3,863
Deferred tax on fair value adjustment		-	-	-	-	(198)	(1,090)	-	(1,288)
Net income recognized directly in equity		-	-	-	-	394	2,181	-	2,575
Net surplus for the year		-	-	-	-	-	-	62,100	62,100
Total recognized income for the year		-	-	-	-	394	2,181	62,100	64,675
Transfer to share capital	13(a)	113,040	(8,040)	(104,900)	(100)	-	-	-	-
Appropriation from income and expenditure account to contingency reserve fund	16	-	-	-	-	-	27,178	(27,178)	-
Balance at December 31, 2006		113,590	-	-	-	(1,486)	414,339	381,784	908,227

The notes on Pages 40 to 73 form an integral part of the financial statements.

	2006 $'000	Restated 2005 $'000
OPERATING ACTIVITIES		
Net surplus	62,100	71,746
Adjustments for:		
Depreciation of property, plant and equipment	9,321	6,512
Amortisation of intangible assets	5,351	2,836
Impairment of investment	2,634	-
Loss (gain) on disposal of property, plant and equipment	339	(45)
Gain on disposal of available-for-sale investment	-	(3,189)
Unrealised foreign exchange gains on investments	(5,456)	(5,339)
Post employment benefit credit	(13,174)	(7,059)
Income tax expense	29,779	41,242
Interest income	(76,851)	(83,875)
Interest expense	2,394	984
Operating cash flows before movements in working capital	16,437	23,813
Decrease (increase) trade and other receivables	9,140	(5,558)
Increase in accounts payable	12,795	6,945
Post employment benefit contributions	(1,848)	(1,313)
Cash generated from operations	36,524	23,887
Income tax paid	(30,046)	(43,217)
Interest paid	(2,394)	(984)
Cash provided by (used in) operating activities	4,084	(20,314)
INVESTING ACTIVITIES		
Acquisition of investments in securities (net)		
Compensation Fund	(26,325)	(21,959)
Other	2,433	17,711
Advances to subsidiary	(8,090)	(21,145)
Acquisition of property, plant and equipment	(19,530)	(26,411)
Acquisition of intangible assets	(2,014)	(12,328)
Proceeds on disposal of property, plant and equipment	200	51
Long-term receivable	(900)	(2,784)
Interest received	82,177	82,736
Cash provided by investing activities	27,951	15,871
FINANCING ACTIVITIES		
Long-term liabilities	(7,090)	9,589
Cash (used in) provided by financing activities	(7,090)	9,589
NET INCREASE IN CASH AND BANK BALANCES	24,945	5,146
OPENING CASH AND BANK BALANCES	15,573	10,427
CLOSING CASH AND BANK BALANCES	40,518	15,573
Comprising:		
Cash and bank deposits	40,568	15,573
Bank overdraft	(50)	-
	40,518	15,573

The notes on Pages 40 to 73 form an integral part of the financial statements.

1. GROUP IDENTIFICATION

a) *Composition of the Group*

The group comprises the Jamaica Stock Exchange Limited (the company) 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 parent company changed its status from a private limited liability company to a public limited liability company.

These financial statements are expressed in Jamaican dollars.

(b) *Principal Activities*

Name of Company	Principal Activity
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, 2006.

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.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective for the financial period being reported on and of which the following standards and interpretations may become applicable to the group.

IFRS 7	Financial Instruments: Disclosure	Effective for annual periods beginning on or after January 1, 2007
IFRS 8	Operating segments	Effective for annual periods beginning on or after January 1, 2009
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies	Effective for annual periods beginning on or after March 1, 2006
IFRIC 8	Scope of IFRS 2	Effective for annual periods beginning on or after May 1, 2006

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

IFRIC 9	Reassessment of Embedded Derivatives	Effective for annual periods beginning on or after June 1, 2006
IFRIC 10	Interim Financial Reporting and Impairment	Effective for annual periods beginning on or after November 1, 2006
IFRIC 11	Group and Treasury Share Transactions	Effective for annual periods beginning on or after March 1, 2007
IFRIC 12	Service Concession Arrangements	Effective for annual periods beginning on or after January 1, 2008

The directors anticipate that the adoption of these Standards and Interpretations in the future periods will have no material impact on the financial statements, although additional disclosures will arise on adoption of IFRS 7.

3. **SIGNIFICANT ACCOUNTING POLICIES**

Statement of compliance

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. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and the entity controlled by the company (its subsidiary). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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 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 estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income and expenditure account.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Intangible assets

These consist of computer software. Computer software is measured initially at purchase cost and is subsequently reported at cost less accumulated amortization and accumulated impairment. The estimated useful life and amortization method are reviewed at the end of each year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Employee benefits

Pension obligations
The group operates a defined benefit pension 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 obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Employee benefits (Cont'd)

Pension obligations (Cont'd)

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 post employment benefit asset recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognized 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 group 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.

Taxation

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

Current 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. It excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted at balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surpluses 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 surpluses 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.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Taxation (Cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted by the balance sheet date, which rates are expected to apply in the period when the liability is settled or the asset is realised. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period 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.

Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the asset expire or are cancelled. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or have expired.

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements 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.

The fair values of financial instruments are discussed in Note 27. Listed below are the group's financial assets and liabilities and the specific accounting policies relating to each:

Financial assets

a) *Investment in securities*

Investments in securities are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through income and expenditure, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'held-to-maturity investments', 'available-for-sale' (AFS) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial assets (Cont'd)

a) *Investment in securities (Cont'd)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Held-to-maturity investments

Investments in securities with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

AFS financial assets

Listed shares and listed redeemable notes held by the group that are traded in an active market and which are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices are classified as being AFS and are stated at fair value. Fair value is determined in the manner described in Note 27. Gains and losses arising from changes in fair value are recognised directly in equity in the fair value reserve with the exception of impairment losses. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in income and expenditure account. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in income and expenditure account for the period.

Dividends on AFS equity instruments are recognised in income and expenditure account when the group's right to receive payments is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in income and expenditure account, and other changes are recognised in equity.

Loans and receivables

Loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial assets (Cont'd)

b) *Related party*

A party is considered to be related if:

(i) directly or indirectly, through one or more intermediaries, one party is able to exercise control or significant influence over the other party;

(ii) both parties are subject to common control or significant influence from the same source;

(iii) the party is a member of key management personnel of the group, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the group, including directors, officers and close members of the families of these individuals; or

(iv) the party is a post-employment benefit plan for the benefit of the employees of the group.

c) *Long-term receivables*

These represent staff loans that are classified as long-term receivables and are shown at nominal values.

d) *Trade and other receivables*

Trade receivables that include receivables in connection with cess, fees and other services provided by the Group are measured initially at fair values. Interest is not charged on outstanding balances as they are usually settled within a short period during which recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognized in the income and expenditure account, when there is objective evidence that the asset is impaired.

e) *Cash and bank balances*

For the purposes of the cash flow statement, cash and bank balances comprise cash at bank and in hand, net of bank overdraft and other highly liquid bank deposits held with financial institutions, with an original maturity of three months or less from the date of acquisition and are held to meet cash requirements rather than for investment purposes.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial assets (Cont'd)

f) *Impairment of financial assets*

Financial assets, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired if there is objective evidence that as a result of one or more events that have occurred after initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial assets is reduced by the impairment directly, with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously provided for reduce the amount of the allowance account. Changes in the carrying amount of the allowance account are recognized in income and expenditure account. Recovery of amounts previously written off is credited as income.

The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Financial liabilities

a) *Borrowings*

Borrowings are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognized in an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

b) Accounts payable

Accounts payable are initially measured at their fair values. No interest is accrued on outstanding balances as these are usually settled within a short period during which any interest charged would be immaterial.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts recoverable for services provided in the normal course of business, net of consumption taxes.

Income from operations

Cess income

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.

Fee income

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 as received.

Other operating income

These include income related to other services and events of the group such as website charges, conferences and seminars and are accounted for on an accrual basis.

Membership fees

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

Account maintenance fees

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

User fees

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

Investment income

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

Compensation fund

a) *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 (b) below).

3. **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Compensation fund (Cont'd)

b) *Contingency reserve*

This fund is created out of surpluses 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 (a) above) 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).

Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the group 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 re-translated 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 re-translated.

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

Borrowing costs

Borrowing costs are recognised in the income and expenditure account in the period in which they are incurred.

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

In the application of the group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Critical judgements in applying accounting policies

Management believes that except as noted below no other judgements made had a significant effect on the amounts recognized in the financial statements.

Deferred tax assets
As disclosed in Note 19, the financial statements of the Group include deferred tax assets of approximately $24.2 million to recognize the future benefits of the tax losses of the subsidiary carried forward to set-off against future taxable profits. Management is of the view that the subsidiary will report taxable profits in the future and realize the benefits of these tax losses and as a consequence has concluded that the financial position of the Group should reflect the benefits by way of deferred tax asset as tax losses.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Post employment benefit
As disclosed in Note 10, the group operates a defined benefit pension plan. The amounts shown in the balance sheet of an asset of approximately $45.2 million in respect of the defined benefits plan is subject to estimates in respect of periodic costs which costs are dependent on future returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan.

The estimated return 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 rates on government bonds that have maturities approximating the related pension liabilities were considered.

5. PROPERTY, PLANT AND EQUIPMENT

	The Group						
	Freehold Land $'000	Freehold Buildings $'000	Furniture & Fixtures $'000	Office Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Total $'000
At cost							
January 1, 2005	5,154	39,704	5,505	4,119	32,472	716	87,670
Additions	-	18,798	1,564	3,206	5,228	-	28,796
Disposals	-	-	(3)	(64)	-	(716)	(783)
January 1, 2006	5,154	58,502	7,066	7,261	37,700	-	115,683
Additions	-	5,944	1,283	5,423	14,087	670	27,407
Disposals	-	(703)	-	-	-	-	(703)
December 31, 2006	5,154	63,743	8,349	12,684	51,787	670	142,387
Depreciation							
January 1, 2005	-	8,051	3,582	3,296	18,344	715	33,988
Charge for year	-	1,032	544	511	4,690	-	6,777
Disposal	-	-	(3)	(59)	-	(715)	(777)
January 1, 2006	-	9,083	4,123	3,748	23,034	-	39,988
Charge for year	-	1,523	548	1,676	7,036	134	10,917
Disposal	-	(164)	-	-	-	-	(164)
December 31, 2006	-	10,442	4,671	5,424	30,070	134	50,741
Net book value							
December 31, 2006	5,154	53,301	3,678	7,260	21,717	536	91,646
December 31, 2005	5,154	49,419	2,942	3,514	14,666	-	75,695

5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	The Company						
	Freehold Land $'000	Freehold Buildings $'000	Furniture & Fixtures $'000	Office Equipment $'000	Computer Hardware $'000	Motor Vehicles $'000	Total $'000
At cost							
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)
January 1, 2006	5,154	58,502	6,081	6,323	31,858	-	107,918
Additions	-	5,944	527	4,818	7,571	670	19,530
Disposals	-	(703)	-	-	-	-	(703)
December 31, 2006	5,154	63,743	6,608	11,141	39,429	670	126,745
Depreciation							
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)
January 1, 2006	-	9,083	4,027	3,358	18,426	-	34,894
Charge for year	-	1,523	396	1,468	5,800	134	9,321
Disposals	-	(164)	-	-	-	-	(164)
December 31, 2006	-	10,442	4,423	4,826	24,226	134	44,051
Carrying amount							
December 31, 2006	5,154	53,301	2,185	6,315	15,203	536	82,694
December 31, 2005	5,154	49,419	2,054	2,965	13,432	-	73,024

5. **PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

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

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

No depreciation is provided on freehold land.

6. **INTANGIBLE ASSETS**

	The Group			The Company
	Computer Software	Computer Software Development Project	Total	Computer Software
	$'000	$'000	$'000	$'000
Cost				
January 1, 2005	20,864	24,266	45,130	9,695
Additions	12,482	43,909	56,391	12,328
January 1, 2006	33,346	68,175	101,521	22,023
Additions	2,171	61,128	63,299	2,014
Write-off	-	(128,708)	(128,708)	-
December 31, 2006	35,517	595	36,112	24,037
Amortisation				
January 1, 2005	10,860	-	10,860	3,848
Charge for the year	3,818	-	3,818	2,836
January 1, 2006	14,678	-	14,678	6,684
Charge for the year	6,360	-	6,360	5,351
December 31, 2006	21,038	-	21,038	12,035
Carrying amount				
December 31, 2006	14,479	595	15,074	12,002
December 31, 2005	18,668	68,175	86,843	15,339

Computer software is amortised at rates ranging from 20% to 33 1/3% per annum. During the year fixed income software development project of the subsidiary was abandoned and the total cost accumulated on the project at December 31, 2006 amounting to $128.7 million (including $60.5 million incurred during the year) was written off and has been stated as other gains and losses in the income and expenditure account (see Note 22).

7. INVESTMENT IN SUBSIDIARY

	The Company	
	2006	2005
	$'000	$'000
Shares – at cost	55,000	55,000
Advances	61,493	53,403
	116,493	108,403

8. INVESTMENTS IN SECURITIES

(a) Compensation Fund

	The Group and The Company	
	2006	2005
	$'000	$'000
Held-to-maturity – At amortized cost		
Government of Jamaica Securities		
Variable Rates Local Registered Stocks – 14.81% (2005: 14.78%)	31,009	31,043
Investment Debentures: 12.88% - 16.63% (2005: 16.25% - 24.63%)	28,447	58,399
Investment Bonds: 12.44% - 14.29% (2005: 13.05% - 16.85%)	78,393	49,593
Foreign Currency Investments		
GOJ Fixed Rate US$ Global Bonds; 10.625% - 2017 (face value US$350,000)	26,252	25,070
Government of Belize guaranteed mortgage notes – 2029 (face value US$49,201)	2,040	3,158
MAN-IP Multi-strategy Series 3 Limited Bonds – 2012 (face value US$250,000)	17,694	16,045
	183,835	183,308
Available-for-sale – At fair value		
Investment in Unit Trusts	39,671	36,400
Loans and receivables – At amortized cost		
Repurchase agreements – 11.95% - 13.35% (2005: 13.15% - 14.90%)	148,890	140,498
Repurchase agreements (face value US$261,232 – 5.75% - 6.5%) (2005:face value US$249,195 – 5.75% - 6.4%)	17,524	18,981
	166,414	159,479
Cash and Others		
Bank and short-term deposits	46,558	23,030
Interest receivable	2,312	7,634
Other receivables	794	653
Payables	(4,898)	(6,251)
	44,766	25,066
	434,686	404,253
Less: Current portion	(299,540)	(224,536)
	135,146	179,717

8. INVESTMENTS IN SECURITIES (Cont'd)

(a) Compensation Fund (Cont'd)

	The Group and The Company	
	2006	2005
	$'000	$'000
The movement for the year in available-for-sale investments is at fair value:		
Balance, January 1	36,400	23,888
Disposal	-	(1,595)
Increase in fair value	3,271	406
Acquisition	-	13,701
Closing balance	39,671	36,400

(b) Other

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Held-to-maturity – at amortised cost				
Government of Jamaica Securities				
Variable Rates Local Registered Stocks – 14.81% (2005: 14.78%)	33,077	33,114	33,077	33,114
Fixed Rate Local Registered Stocks (2005: 15.75%)	-	3,131	-	3,131
Investment Debentures: 12.85% - 16.5% (2005: 13.75% - 16.85%)	41,166	47,677	31,734	44,030
Government of Jamaica Investment Bonds J$: 13.59% - 14.34% (2005: 12.95% - 16.85%)	108,484	117,727	85,215	93,709
Foreign Currency Investments				
Government of Belize guaranteed mortgage notes – 2029: (face value US$49,201)	2,040	3,158	2,040	3,158
MAN-IP Multi – strategy Series 3 Limited Bonds – 2012 (face value US$250,000)	17,694	16,045	17,694	16,045
GOJ 11.75% US$ Index Bond – 2006 (face value US$50,000)	-	3,209	-	3,209
GOJ 10.625% US$ Index Bond – 2017 (face value US$410,000)	30,204	29,038	30,204	29,040
	232,665	253,099	199,964	225,436
Available-for-sale – At fair value				
Investments in Unit Trusts	24,027	22,834	14,629	14,036
Carried forward	256,692	275,933	214,593	239,472

8. **INVESTMENTS IN SECURITIES (Cont'd)**

(b) Other (Cont'd)

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Brought forward	256,692	275,933	214,593	239,472
Loans and receivables – At amortized cost				
Repurchase agreements: 10.80% - 13.25% (2005: 11.85% - 14.4%)	44,272	27,498	30,027	6,761
	300,964	303,431	244,620	246,233
Less: Current portion	(115,417)	(104,686)	(77,973)	(68,489)
	185,547	198,745	166,647	177,744

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

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Opening balance	22,834	4,713	14,036	4,713
Acquisition	-	27,877	-	16,877
Disposal	-	(4,575)	-	(4,575)
(Decrease) increase in fair value	1,193	(5,181)	593	(2,979)
Closing balance	24,027	22,834	14,629	14,036

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 $2,593,949 (2005: $880,187), due within twelve months from the year-end, is included in other receivable.

10. **POST EMPLOYMENT BENEFITS**

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 to the plan at rates determined periodically by independent actuarial valuation (currently 6.6% of pensionable salary) 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 most recent actuarial valuation was carried out at December 31, 2006, by Duggan Consulting Limited, a qualified actuary. The present value of the defined benefit obligation and the related current service costs and past service costs have been measured using the projected unit credit method.

10. **POST EMPLOYMENT BENEFITS (Cont'd)**

(a) Principal assumptions used for the purpose of the actuarial valuations were as follows:

	The Group and the Company	
	2006	2005
Discount rate	12.0%	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%

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

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Present value of defined benefit obligations	(17,530)	(11,740)	(14,024)	(9,513)
Fair value of plan assets	70,038	64,782	56,031	51,947
Unrecognised actuarial gains	(3,759)	(11,018)	(3,007)	(8,815)
Assets not recognized due to limitation in paragraph 58 of IAS 19	(3,521)	(15,573)	(2,817)	(12,458)
Net asset in balance sheet	45,228	26,451	36,183	21,161

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

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Current service cost	604	355	483	284
Interest cost	1,762	1,027	1,409	821
Expected return on plan assets	(6,478)	(4,285)	(5,183)	(3,428)
Recognised gains	(303)	-	(242)	-
Decrease in unrecognized assets	(12,052)	(5,920)	(9,641)	(4,736)
Total included in employee benefit costs (Note 22)	(16,467)	(8,823)	(13,174)	(7,059)
Actual return on plan assets	127	18,326	242	14,661

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

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
At January 1	26,451	15,986	21,161	12,789
Amount credited to income	16,467	8,823	13,174	7,059
Contributions paid	2,310	1,642	1,848	1,313
At December 31	45,228	26,451	36,183	21,161

10. **POST EMPLOYMENT BENEFITS (Cont'd)**

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

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Opening defined benefit obligations	11,740	6,614	9,513	5,291
Service cost	604	355	483	284
Interest cost	1,762	1,027	1,409	821
Members' contributions	3,200	2,155	2,300	1,845
Benefits paid	(381)	(190)	(305)	(152)
Actuarial loss	605	1,779	624	1,424
Closing defined benefit obligations	17,530	11,740	14,024	9,513

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

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Opening fair value of plan assets	64,782	42,849	51,947	34,279
Members' contributions	3,200	2,155	2,300	1,845
Employers contributions	2,310	1,642	1,848	1,313
Expected return on plan assets	6,478	4,285	5,183	3,428
Benefits paid	(381)	(190)	(305)	(152)
Actuarial (loss) gain	(6,351)	14,041	(4,942)	11,234
Closing fair value of plan assets	70,038	64,782	56,031	51,947

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

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Equity investment	33,643	31,659	26,914	25,327
Government of Jamaica securities	21,892	28,161	17,514	22,528
Real estate	10,010	-	8,008	-
Others	4,493	4,962	3,595	4,092
Fair value of plan asset	70,038	64,782	56,031	51,947

The overall expected rate of return of 10% on plan assets is a weighted average of the expected return of the various categories of plan assets held. The directors' assessment of the expected return is based on historical trends and analysts' predictions of the market for the assets in the next twelve months.

10 POST EMPLOYMENT BENEFITS (Cont'd)

The history of experience adjustments is as follows:

	The Group			The Company		
	Defined Benefit Pension Plan			Defined Benefit Pension Plan		
	2006	2005	2004	2006	2005	2004
	$'000	$'000	$'000	$'000	$'000	$'000
Present value of defined benefit obligation	(17,530)	(11,740)	(6,614)	(14,024)	(9,513)	(5,291)
Fair value of plan assets	70,038	64,782	42,849	56,031	51,947	34,279
Fund surplus	52,508	53,042	36,235	42,007	42,434	28,988
Experience adjustments on plan liabilities	(605)	(1,779)	(1,181)	(624)	(1,424)	(945)
Experience adjustments on plan assets	6,351	(14,041)	(1,605)	4,941	11,233	(1,284)

In accordance with transitional provisions for the amendments to IAS 19, Employee Benefit in December 2004, the disclosures above are determined prospectively from the 2004 reporting period.

The group and the company expect to make contributions of $3.04 million and $2.43 million respectively (2005: $1.6 million and $1.28 million respectively) to the defined benefit plan during the next financial year.

The plan assets do not include any of the company's own financial instruments, nor any property occupied by or other assets used by the company.

11 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Fees and contributions receivable	14,097	16,359	6,196	9,244
Other	11,326	11,905	10,553	8,581
	25,423	28,264	16,749	17,825
Less: Allowance for irrecoverable debts	(2,486)	(599)	(2,046)	(514)
	22,937	27,665	14,703	17,311
Interest receivable	349	3,918	349	3,918
Prepayments	8,098	14,260	6,195	12,727
	31,384	45,843	21,247	33,956

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.

12 **CASH AND BANK DEPOSITS (Cont'd)**

(a) The Group

Bank deposits include interest bearing deposits totalling $30.2 million (2005: $17.6 million) including foreign currency deposits amounting to $5.1 million (2005: $2.5 million). Interest on the local currency deposits ranged between 11.9% to 12.3% (2005: 12.1% to 13.1%) per annum and the interest on foreign currency deposit ranged from 5.0% to 6.3% (2005: 1.9% to 5.9%) per annum.

(b) The Company

Bank deposits included interest bearing deposits totalling $30.2 million (2005: $11.7 million) including foreign currency deposits amounting to $5.1 million (2005: $2.5 million). Interest on the local currency deposit ranges from 11.9% to 12.3% (2005: 12.7%) per annum and the interest rate on foreign currency deposits ranges from 5% to 6.3% (2005: 1.9% to 5.9%) per annum.

13 **SHARE CAPITAL**

	2006 No. of shares	2005 No. of shares	2006 $'000	2005 $'000
Authorised: Ordinary shares (2006 no par; 2005: $1.00 each)	700,000,000	700,000,000		
Issued: Ordinary shares, January 1 and December 31 (2006: No par; 2005: $1:00 each)	550,000	550,000		
Stated capital				
At January 1			550	2
Transfer from share premium (see (a) below)			8,040	-
Transfer from capital reserve (see (a) below)			104,900	-
Transfer from capital redemption fund (see (a) below)			100	-
Issue of shares (see (c) below)			-	548
At December 31			113,590	550

(a) Consequent on the enactment of the new Jamaican Companies Act (2004) (effective on February 1, 2005), and as permitted under Section 37 of the Act, the company, by ordinary resolution dated February 26, 2005, elected to retain the par value of the shares for an eighteen months period. This period expired on August 1, 2006 and as of that date the company's shares have no nominal or par value. Therefore, the authorized capital of the company of 700,000,000 ordinary shares of $1.00 each was converted to 700,000,000 ordinary shares without nominal or par value, effective August 1, 2006. The issued capital of the company at balance sheet date is 550,000 ordinary shares without nominal or par value.

Further, the consideration received for the shares issued by the company in excess of the original par value totalling $8.04 million and $104.9 million previously recorded as share premium and capital reserve respectively and reserve created when redemption of preference shares totalling $100,000 previously recorded as capital redemption reserve fund have been transferred to a stated capital account to accord with the Companies Act requirements of recording stated capital as full consideration received for shares issued by the company.

13 SHARE CAPITAL (Cont'd)

(b) 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.

(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

The balance included 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. As stated in Note 13(a), this amount is now included as part of the stated capital of the company.

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

	The Group and the Company	
	2006	2005
	$'000	$'000
The transfer from income and expenditure account comprises:		
Surplus – Compensation fund before taxation	39,866	43,375
Less:		
Income tax charge for year at 33 1/3%	13,002	13,442
Deferred tax adjustment	(314)	1,023
	12,688	14,465
	27,178	28,910

The reserve comprises:

	2006	2005
Investment before fair value adjustment	412,720	385,548
Fair value adjustments	21,966	18,705
Investments in securities (see Note 8(a))	434,686	404,253
Income tax payable	(2,615)	(2,316)
Deferred tax liability	(17,732)	(16,957)
	414,339	384,980

17 REVENUE RESERVE – INCOME AND EXPENDITURE ACCOUNT

Reflected in the financial statements of the:

	2006 $'000	2005 $'000
Parent company	381,784	346,862
Subsidiary	(26,948)	26,939
	354,836	373,801

18 LONG-TERM LIABILITIES

	The Group and the Company	
	2006 $'000	2005 $'000
Capital & Credit Merchant Bank Limited (US$15,318) (2005: US$72,476) (Note 18(a))	1,029	4,681
Capital & Credit Merchant Bank Limited (Note 18(b))	9,086	12,524
	10,115	17,205
Less current portion (Note 20)	(5,157)	(7,093)
	4,958	10,112

(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 the bank. The facility is repayable by thirty-six (36) monthly payments by February 2007.

(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

This comprises:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred tax assets	25,421	734	639	-
Deferred tax liabilities	(44,877)	(42,941)	(39,731)	(35,083)
Net position at December 31	(19,456)	(42,207)	(39,092)	(35,083)

19 DEFERRED TAX (Cont'd)

The movement in the net deferred tax position was as follows:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
At January 1	(42,207)	(23,307)	(35,083)	(30,411)
Credited (charged) to income for the year (Note 23)	24,239	(21,555)	(2,721)	(6,593)
(Charged) credited to fair value reserve for the year	(398)	2,515	(198)	1,781
(Charged) credited to contingency reserve for the year	(1,090)	140	(1,090)	140
At December 31	(19,456)	(42,207)	(39,092)	(35,083)

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

Deferred Tax Assets

	The Group				The Company
	Accrued Vacation $'000	Unrealised Loss on Investments $'000	Tax Loss $'000	Total $'000	Accrued Vacation $'000
At January 1, 2005	-	-	10,804	10,804	-
Credited to fair value reserve	-	734	-	734	-
Charged to income for the year	-	-	(10,804)	(10,804)	-
At January 1, 2006	-	734	-	734	-
Charged to fair value reserve	-	(200)	-	(200)	-
Credited to income for the year	717	-	24,170	24,887	639
At December 31, 2006	717	534	24,170	25,421	639

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

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

Deferred Tax Liabilities

	The Group					The Company				
	Capital Allowance in excess of Depreciation $'000	Interest Receivable $'000	Unrealised Gains in Investment in Securities $'000	Retirement Benefit Assets $'000	Total $'000	Capital Allowance in excess of Depreciation $'000	Interest Receivable $'000	Unrealised Gains in Investment in Securities $'000	Retirement Benefit Assets $'000	Total $'000
At January 1, 2005	(5,670)	(9,230)	(13,882)	(5,329)	(34,111)	(3,346)	(8,920)	(13,882)	(4,263)	(30,411)
Charged 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 January 1, 2006	(10,495)	(9,888)	(13,741)	(8,817)	(42,941)	(4,986)	(9,302)	(13,741)	(7,054)	(35,083)
(Charged) credited to income for the year	3,355	1,894	362	(6,259)	(648)	(491)	1,776	362	(5,007)	(3,360)
Charge to fair value reserve	-	-	(198)	-	(198)	-	-	(198)	-	(198)
Charge to contingency reserve	-	-	(1,090)	-	(1,090)	-	-	(1,090)	-	(1,090)
At December 31, 2006	(7,140)	(7,994)	(14,667)	(15,076)	(44,877)	(5,477)	(7,526)	(14,667)	(12,061)	(39,731)

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Accruals and other payables	58,115	31,259	33,186	20,391
Current portion of long-term liabilities (Note 18)	5,157	7,093	5,157	7,093
	63,272	38,352	38,343	27,484

21 SURPLUS BEFORE TAXATION

Surplus before taxation is stated after taking into account the following:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
(a) Other operating income				
Refund of legal costs	-	11,000	-	11,000
Regional conference	11,317	-	11,317	-
Other	19,174	20,552	18,797	20,544
	30,491	31,552	30,114	31,544
(b) Investment income:				
Interest income	38,102	43,160	30,784	37,531
Foreign exchange gains	2,788	3,010	2,788	3,010
Gain on disposal of available-for-sale investment	-	2,364	-	2,364
	40,890	48,534	33,572	42,905
(c) Compensation Fund income (net)				
Investment income:				
Interest income	46,067	46,344	46,067	46,344
Foreign exchange gains	3,470	3,415	3,470	3,415
Gain on disposal of available-for-sale investment	-	825	-	825
Other	2	344	2	344
	49,539	50,928	49,539	50,928
Less:				
Expenses	(8,356)	(7,553)	(8,356)	(7,553)
Impairment of investment (see note below)	(1,317)	-	(1,317)	-
	(9,673)	(7,553)	(9,673)	(7,553)
	39,866	43,375	39,866	43,375
(d) Expenses:				
Directors' fees	3,341	2,446	2,450	2,363
Audit fees	1,496	1,165	1,281	985
Depreciation of property, plant and equipment	10,917	6,777	9,321	6,512
Amortization of intangible assets	6,360	3,818	5,351	2,836
Impairment of investment (see note below)	1,317	-	1,317	-
Finance cost – interest on long-term liabilities	2,394	984	2,394	984

Impairment of investment represents an adjustment to the carrying value of investments in Government of Belize guaranteed mortgage notes (see Note 8) resulting from a proposed scheme of arrangement by the Government of Belize, which resulted in lower interest rates and an extended maturity period of the Group's investments.

22 OTHER GAINS AND LOSSES

These include losses resulting from write-off of intangible assets of the subsidiary (see Note 6).

23 TAXATION

(a) Recognised in income and expenditure

(i) The charge for the year represents:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Current tax	27,058	51,788	27,058	34,649
Less: Effect of tax losses utilised	-	(10,690)	-	-
Deferred tax (Note 19)	(24,239)	21,555	2,721	6,593
	2,819	62,653	29,779	41,242

(ii) The charge for the year is reconciled to the surplus as per the income and expenditure account as follows:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Surplus before taxation	11,032	176,866	91,879	112,988
Tax at the domestic income tax rate of 33⅓%	3,677	58,955	30,626	37,663
Tax effect of items that are not deductible in determining taxable profit	45,569	15,772	5,236	15,628
Tax effect of items allowed for tax purposes	(46,427)	(12,187)	(6,083)	(12,049)
Other	-	113	-	-
	2,819	62,653	29,779	41,242

At balance sheet date, the subsidiary had tax losses aggregating $72.5 million (subject to agreement of the Commissioner, Taxpayer Audit and Assessment) which are available for set-off against future taxable profits.

A deferred tax asset has been recognized in respect of these losses (Note 19) as management expects adequate future profits to recover the asset.

(b) Recognised directly in equity

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Fair value adjustments (net)	(1,488)	(1,187)	(1,288)	(1,921)

24 NET SURPLUS OF THE GROUP FOR THE YEAR

Reflected in the financial statements of the:

	2006 $'000	2005 $'000
Parent company	62,100	71,746
Subsidiary	(53,887)	42,467
	8,213	114,213

25 RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Short-term benefits	28,370	25,805	20,095	20,742
Post employment benefits	1,050	844	611	574
	29,420	26,649	20,706	21,316

(b) Loans to related parties

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Loans to key management personnel	9,091	6,099	7,291	5,999

26 CONTINGENCIES AND COMMITMENTS

(a) Capital commitments

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Capital commitments contracted for but not provided in the financial statements	9,876	112,538	9,876	-

Capital commitments as at December 31, 2006 are in relation to the acquisition of a piece of land by the company. Capital commitments in 2005 were in relation to the software development project of the subsidiary in the amount of US$1.8 million.

(b) Contingencies

The Programme Manager of the fixed income software development project of the subsidiary has submitted a final claim for their fees amounting to $5.7 million. As stated in Note 6 this project has been abandoned. The management is challenging the final claim by the Programme Manager, and as such has not recognized this amount as a liability in the financial statements pending further discussion.

27 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. Whilst market prices are not available for some of the financial assets and liabilities of the group, the fair values in the financial statements have been presented using various estimation techniques based on market conditions existing at balance sheet date. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the group would realise in a current market exchange.

The following methods and assumptions have been used:

(i) The carrying values of cash and bank balances, trade and other receivables and accounts payable approximate their fair 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) Investments in securities classified as available-for-sale is measured at fair value. The fair value of investments in securities classified as held-to-maturity and loans and receivables are as follows:

	2006			
	The Group		The Company	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Compensation Fund				
Held-to-maturity	183,835	206,604	183,835	206,604
Loans and receivables	166,414	177,072	166,414	177,072
	350,249	383,676	350,249	383,676
Other				
Held-to-maturity	232,665	234,397	199,964	201,672
Loans and receivables	44,272	49,512	30,027	35,267
	276,937	283,909	229,991	236,939
	627,186	667,585	580,240	620,615

	2005			
	The Group		The Company	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Compensation Fund	342,787	342,787	342,787	352,617
Other	280,597	287,671	232,197	239,347
	623,384	630,458	574,984	591,964

The fair values have been determined using available market information and where such market information is not available, the fair values have been estimated on the basis of pricing models or other recognized valuation techniques.

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

28 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			
	TERM TO MATURITY			TOTAL
	Within One Year	One Year to Five Years	Over Five Years	
	$'000	$'000	$'000	$'000
Investments in securities				
Compensation Fund	301,332	45,842	89,304	436,478
Other	115,417	120,222	65,325	300,964
	416,749	166,064	154,629	737,442
Cash and bank balances	30,195	-	-	30,195
Total interest bearing financial assets (2006)	446,944	166,064	154,629	767,637
Average interest yield (2006)	11.8%	12.9%	13.9%	12.5%
Total interest bearing financial assets (2005)	332,556	213,278	158,888	705,398
Average interest yield (2005)	10.7%	12.8%	12.9%	11.9%

	The Company			
	TERM TO MATURITY			TOTAL
	Within One Year	One Year to Five Years	Over Five Years	
	$'000	$'000	$'000	$'000
Investments in securities				
Compensation Fund	301,332	45,842	89,304	436,478
Other	77,973	101,322	65,325	244,620
Bank deposits	30,195	-	-	30,195
Total interest bearing financial assets (2006)	409,500	147,164	154,629	711,293
Average interest yield (2006)	11.7%	12.8%	13.9%	12.4%
Total interest bearing financial assets (2005)	295,957	195,078	151,088	642,123
Average interest yield (2005)	10.3%	12.7%	12.9%	11.7%

28 **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:

	2006 $'000	2005 $'000
Long-term liabilities	10,114	17,205
Average annual interest cost	16.5%	16.5%

Interest rate is 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 group and the company's principal financial assets are cash and bank deposits, trade receivables and investment in securities. The credit risk on investment in securities and cash and bank deposits is limited as the group and the company minimises this risk by seeking to limit its obligations to substantial financial institutions. In respect of trade receivables 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:

	The Group		The Company	
	2006 US$'000	2005 US$'000	2006 US$'000	2005 US$'000
Investments in securities	2,088	1,678	2,088	1,678
Cash and bank deposits	13	39	13	39
Accounts payable	(153)	-	-	-
Long-term liabilities	(15)	(72)	(15)	(72)
Net exposure	1,933	1,645	2,086	1,645

In addition the subsidiary had capital commitments at 2005 of US$1.8 million.

(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 manages its risk through extensive research and monitors the price movements of securities on the local and international markets.

(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.

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

(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.

29 **RESTATEMENTS AND RECLASSIFICATIONS**

a) Balance sheet as at December 31, 2005

The Group

During the year certain balances were reclassified to more accurately reflect their substance as defined in IFRS. The following table reflects such changes which had no effect on the profits previously reported:

	Note	As previously stated 2005 $'000	Restatement $'000	As restated 2005 $'000
ASSETS				
Non-current assets				
Investments in securities				
- Compensation fund		179,717	-	179,717
- Other		198,744	-	198,744
Other non-current assets		192,638	-	192,638
Total non-current assets		571,099	-	571,099
Current assets				
Investments in securities				
- Compensation fund		224,536	-	224,536
- Other	1	95,868	8,821	104,689
Trade and other receivables	1	54,662	(8,821)	45,841
Other assets		23,355	-	23,355
Total current assets		398,421	-	398,421
Total assets		969,520	-	969,520
EQUITY AND LIABILITIES				
Shareholders' equity		869,023	-	869,023
Non-current liabilities		52,319	-	52,319
Current liabilities		48,178	-	48,178
Total equity and liabilities		969,520	-	969,520

29 RESTATEMENTS AND RECLASSIFICATIONS (Cont'd)

The Company

	Note	As previously stated 2005 $'000	Restatement $'000	As restated 2005 $'000
ASSETS				
Non-current assets				
Investments in securities				
- Compensation fund		179,717	-	179,717
- Other		177,744	-	177,744
Other non-current assets		221,575	-	221,575
Total non-current assets		579,036	-	579,036
Current assets				
Investments in securities				
- Compensation fund		224,536	-	224,536
- Other	1	61,333	7,156	68,489
Trade and other receivables	1	41,112	(7,156)	33,956
Other assets		15,573	-	15,573
Total current assets		342,554	-	342,554
Total assets		921,590	-	921,590
EQUITY AND LIABILITIES				
Shareholders' equity		843,552	-	843,552
Non-current liabilities		45,195	-	45,195
Current liabilities		32,843	-	32,843
Total equity and liabilities		921,590	-	921,590

Note

(1) Interest receivable was reclassified from accounts receivable to the various financial assets to conform to the concept of amortised cost.

29 **RESTATEMENTS AND RECLASSIFICATIONS (Cont'd)**

b) Income and expenditure account for year ended December 31, 2005

The Group	As previously stated 2005 $'000	Reclassification $'000	As restated 2005 $'000
Income	233,504	31,552	265,056
Expenses	(180,575)	1,460	(179,115)
Surplus from operations	52,929	33,012	85,941
Investment income	80,562	(32,028)	48,534
Compensation fund income (net)	43,375	-	43,375
Finance cost	-	(984)	(984)
Surplus before taxation	176,866	-	176,866
Taxation	(62,653)	-	(62,653)
Net surplus	114,213	-	114,213

The Company	As previously stated 2005 $'000	Reclassification $'000	As restated 2005 $'000
Income	146,233	31,544	177,777
Expenses	(151,545)	1,460	(150,085)
Surplus from operations	(5,312)	33,004	27,692
Investment income	74,925	(32,020)	42,905
Compensation fund income (net)	43,375	-	43,375
Finance cost	-	(984)	(984)
Surplus before taxation	112,988	-	112,988
Taxation	(41,242)	-	(41,242)
Net surplus	71,746	-	71,746

The income and expenditure account for the group and the company for year ended December 31, 2005, has been rearranged to conform with the presentation of the current year. The rearrangement had no effect on the surplus previously reported. Expenses have been further analysed by nature of expenses as stated in theincomeandex-penditureaccountstoconformwiththecurrentyear'spresentation.

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Jamaica Stock Exchange
Yearly Trading Summary (1970-2006)

YEAR	YEAR-END MARKET CAPITAL JA$(000)	NO. OF LISTED COMPANIES	VOLUME TRADED (000)	VALUE TRADED JA$(000)	YEAR-END JSE INDEX	YEAR-END ALLJA COMPOSITE	YEAR-END JSE SELECT	NO. OF TRANS.	NO. BROKERS
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	46 1.10			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
2006	822,862,351	44	5,639,412	37,040,992	100,678.00	107,213.42	2,942.88	41,921	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 Fax: (876) 922-6966
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Auditors	Deloitte & Touche 7 West Avenue Kingston 4.
Website Address	www.jamstockex.com
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Jamaica Stock Exchange - Statement of Corporate Governance Principles & Practices

PREAMBLE

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

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

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

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

ISSUES	DESCRIPTION/PRINCIPLE
Board Issues	
Accountability to shareholders/stakeholders	The JSE is a 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 position change, give a written declaration to the Board of the Exchange with pertinent information about the other Boards on which they serve.
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

Committees	***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. Each Committee has a written charter outlining its purpose and responsibilities and reporting format. Committees must meet at least twice annually. 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. ***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.
Audit and Finance Committee	The Audit and Finance Committee assists the Board with oversight responsibilities in regards to the integrity of the companies' financial statements. It also serves as the communication link between the Board, the management team and the auditors. The Audit and Finance Committee ensures that the Company complies with legal and regulatory requirements.
Market Oversight Committee	The Market Oversight Committee is responsible for processing and recording applications of Member Dealers for access of Member Dealers, attorneys/traders, to conduct business on the floor of the Exchange and their use of these facilities.
Conduct Review Committee	The Conduct Review Committee reviews Member Dealers conduct of business and adherence to Business Rules, Contractual Obligations and the Securities Act. The Conduct Review Committee is responsible to the Board of Directors for the conduct, procedures and holding of disciplinary hearings and reviews and to investigate complaints by investors against Member Dealers.
Governance Committee	The Corporate Governance Committee is responsible to develop, recommend and review Corporate Governance Principles, applicable to the Board, Management and Listed Companies. In addition the Committee has the responsibility to oversee the evaluation of the Boards other committees and make recommendations in respect to the structure of and effectiveness of the Committees.
Nominating Committee	The Nominating Committee is comprised of non-executive directors and is responsible for the recommendation of suitable candidates to fill vacancies on the Board.
Compensation Committee	The Compensation Committee of the JSE is made up exclusively of non-executive directors who make recommendations on the company's framework of executive remuneration. The Committee reviews and approves corporate goals in relation to the CEO's compensation, evaluates the CEO's performance in light of the company's goals and objectives and makes recommendations to the Board with respect to executive and non-executive compensation.

Jamaica Stock Exchange - Statement of Corporate Governance Principles & Practices

ListingandStandardsCommittee	TheListingandStandardsCommitteeensuresthequalityandintegrityofa listingontheJSE. Itisresponsibletoprocessapplicationsandmake recommendationsregardingapprovalofcompanieswish ingtolistontheJSE andreviewandmakerecommendationsofstandardstobeobservedfor companiestoremainlisted.
OtherCommittees	Thesearereformedasthedirectorsseefit.
BoardMeetings	Therearereformalscheduledmeetingsoftheboardatwhichmattersare specificallyreservedfordiscussions.Mattersmustbeaddressedwithina reasonabletimeinordertopreventanoverrunofpendingitems. **ProcedureatBoardMeetings** Intheinterestofpromotingandensuringtransparencyalldirectorsmust excusehimself/herselffromdiscussionsin,andinmakingdecisions onanymatterinwhichhe/shehasapersonalorbusinessinteresto companiesonwhoseBoardhe/shesitsorisconnected.Further, membersshallbeboundbysimilarstandardsasoutlinedin Appendix1- (PartK)oftheJSE'sRuleswhichaddressesActingin Concert. .
GeneralMeetings	GeneralMeetingsofshareholdersareheldeachyear.Communicationwith shareholdersondecisionsconcerningmaterial,fundamentalcorporate changesaremadeonatimelybasis.
Performance	***EvaluationofBoardMembers*** TheBoardrecognizestheimportanceofeachdirectorworkingtofulfillthe mandateofthecompany. Tothisend,aprocessofself-evaluationisineffect basedonpre-determinedcriteria. Thisevaluationissubjecttothereviewof theCorporateGovernanceCommittee.
TermLimits	BoardMembersareeithernominatedbytheirbrokeragefirmorrelevant interestgroups.Themandateofindependentmembersmustbeappropriately renewed. **Committees** **<u>Chairman/DeputyChairman</u>** TheChairmanandDeputyChairmanoftheBoardandChairmenof Committeeshaverecommendedtermlimitsasfollows: (a) TheChairmancanserveforfive(5)consecutiveterms; (b) TheDeputyChairmancanserveforthree(3)consecutiveterms; (c) TheChairmenofCommitteescanserveforthreeconsecutiveterms ***<u>CommitteeMembers</u>*** Memberscansitforamaximumofthreeconsecutiveyears. Thesemembers arenoteligibletobere-electedintheyearsubsequenttothethree-year consecutivestint.
AgeLimits	Nopersonundereighteen(18)yearsofageshouldsitontheBoard.
Transparency	InordertopromotetransparencyBrokerMembersareaskedtopublishtheir companiesannualaccountingresults. Provisionsaremadetocodifyand publishprocedurestoaddressand/oreliminateconflictofinterestinvolving BoardMembers.
AccountingStandards	TheBoard isgovernedbythestandardsascommunicatedfromtheInstituteof CharteredAccountantsofJamaica.
Ethics	TheBoard intendstocodifytheJSE'scurrentethicsandconfidentiality requirementsforDirectorsandManagementandtopostthisinformationonthe JSE'swebsite.AnywaiverofethicsforDirectorsorExecutiveOfficersistobe declared.

NOTES